GPIF

Stewardship Activities Report 2024-2025

March 2025

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年金積立金管理運用独立行政法人
Government Pension Investment Fund

Topics for FY2024

<Company Interviews> See page 26 for details.

- GPIF has conducted company interviews with the cooperation of a little over 30 companies among the respondent companies of the 9th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities conducted in 2024. The purpose of these interviews is to ascertain the actual status of engagement with listed companies conducted by institutional investors.
- Based on the results, we summarized the evaluations and issues pertaining to engagement conducted by institutional investors from the perspective of companies.

[Points]

- Institutional investors are having more in-depth conversations from the medium- to long-term perspective, and topics of dialogue have expanded from verification of financial and business situations to sustainability, governance, capital cost, and effective information disclosure.
- Companies are reflecting feedback from investors in their initiatives.
- At the same time, companies pointed out issues such as “investors are still asking many questions regarding short-term business performance,” “some investors are inadequately prepared for dialogue,” “voting rights were exercised based on formalistic standards without considering the actual status.”

<Keidanren-GPIF Asset Owners’ Roundtable Establishment and Meetings> See page 30 and 31 for details.

- GPIF, with Japan Business Federation, has established the “Keidanren-GPIF Asset Owners’ Roundtable.”
- Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, and Promotion and Mutual Aid Corporation for Private Schools of Japan have also participated.

	Date	Overview
1st Meeting	October 3, 2024	● Each asset owner explained their initiatives based on the Asset Owner Principles. ● Companies and asset owners then exchanged their opinions.
2nd Meeting	February 20, 2025	● Multiple asset managers were invited as guests. ● Three parties (companies, asset managers, and asset owners) were divided into four groups for opinion exchange session regarding on engagement and the exercise of voting rights.

<Evaluation of the effects of engagement> See page 29 for details

- Using the records of engagements conducted by GPIF's external asset managers entrusted with domestic equity investments from FY2017 to December 2022, GPIF analyzed the effects of the engagements including their causation. The results of the analysis showed that engagements conducted by the asset managers had significant value.
- The analysis report was published in May 2024. Also, a paper summarizing this project, the "Fact finding analysis and verification of effects of engagement in Japan," was published in Securities Analysts Journal (August 2024 Issue).

[Reference: Measuring the Effects of Stewardship Activities and ESG Investment Project]

1. Measurement of the effects of stewardship activities

(1) Evaluation of the effects of engagement (Study on the causation between the engagement and improvement of ESG performance/ corporate value)

(2) Analysis of the exercise of voting rights by asset managers (Trend analysis in voting behavior differences for companies with which they have a potential conflict of interest and other investee companies)

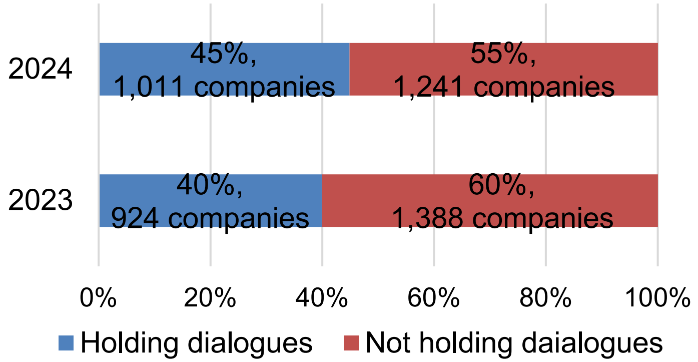
2. Measurement of the effects of ESG investment

(1) Study on ESG factors contributing to the improvement of corporate value and investment return (Study on causation between the ESG factors and improvement in corporate value/ investment return)

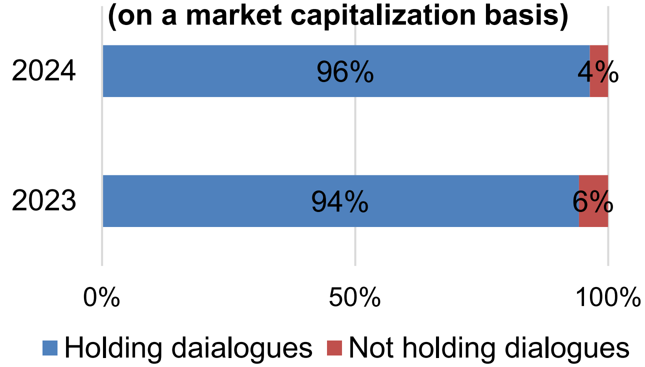
(2) Evaluation of the effects of passive equity investment based on ESG indexes (Analysis of the effects of ESG investment on corporate behavior)

Status of Engagement by GPIF's External Asset Managers (January to December 2024)

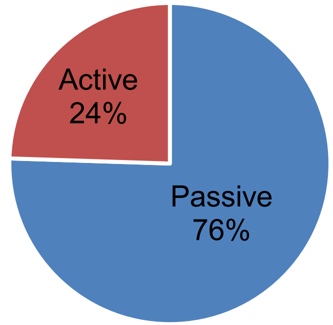
Number of companies that held dialogues



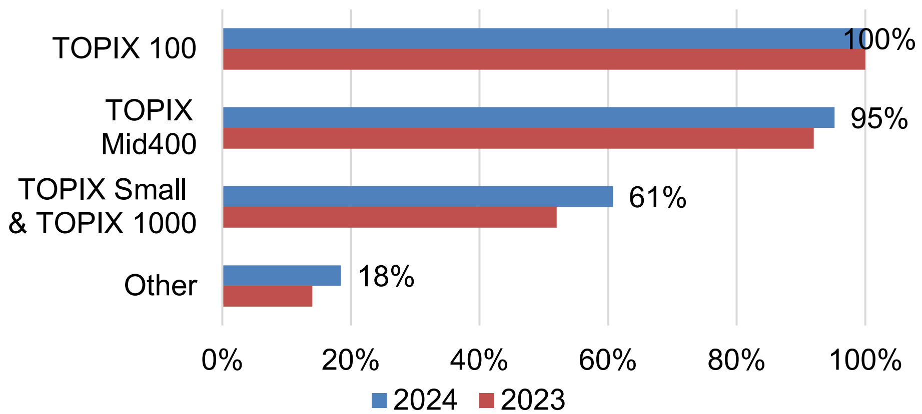
Ratio of companies that held dialogues (on a market capitalization basis)



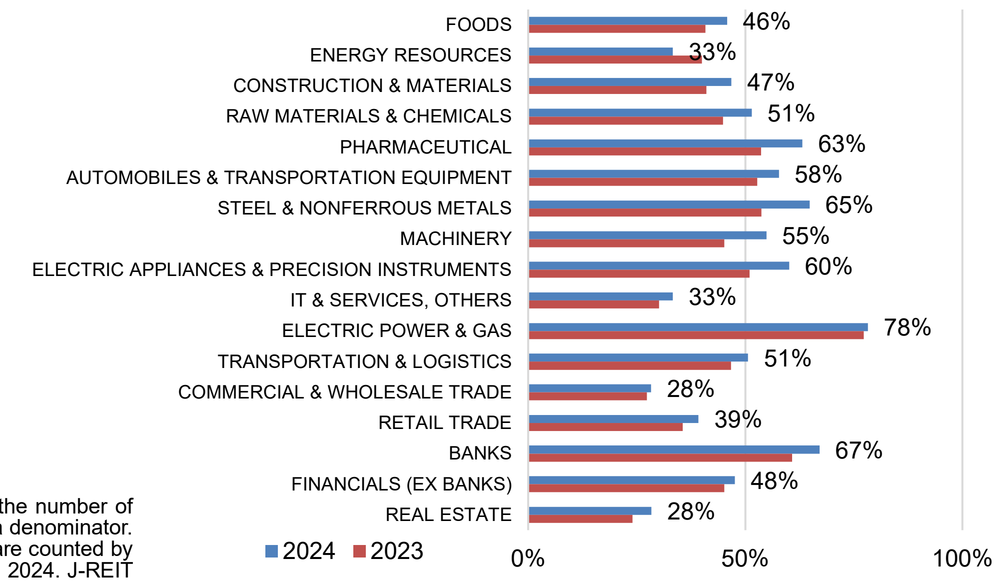
Number of dialogues held (Passive/Active ratio)



Ratio of dialogues held by company scale



Ratio of dialogues held by company scale



Note1: The ratio of the number of companies with which dialogues were held was calculated with the number of domestic companies for which shares are held and market capitalization as of March 31, 2024, as a denominator. Regarding passive and active ratios, in a case in which both passive and active are entrusted, they are counted by the mandate which is more entrusted by GPIF. The company scales represent those as of March 31, 2024. J-REIT is excluded. Industries are based on the TOPIX-17 series.

Note 2: GPIF does not highly evaluate asset managers based solely on the number of engagements, in order to avoid an increase in perfunctory dialogues.

See pages 39 to 41 for details.

Characteristics of Four Engagement-enhanced Passive Managers and their Progress

Considering that GPIF invests in a wide range of listed companies by passive investment which accounts for approximately 90% of GPIF's equity investment, the long-term growth of the overall market is essential for the improvement of investment return. For passive investment, we believe that efforts for engagement activities are critical to encourage investee companies to achieve a long-term increase in corporate value and, in particular, to promote sustainable growth of entire markets.

Therefore, with the aims of achieving sustainable growth of the entire markets through stewardship activities, as well as diversifying and enhancing the approach methods of stewardship activities, GPIF selected engagement-enhanced passive investment in 2018. Following characteristics of the four funds have been evaluated and selected. Over the past year, there has been more engagement concerning the core of corporate management.

	Characteristics of engagement
Asset Management One Started in 2018.	● Merged the research and engagement functions in April 2024 to bring together the expertise of sector analysts and ESG analysts. ● Engagement on 18 ESG issues is conducted by ESG analysts and the person in charge of voting rights who have over 20 years' experience, in collaboration with fund managers and analysts from the asset management division. ● The engagement activity makes tangible investee companies' challenges, contributing to the improvement of their corporate value.
FIL Investments Started in 2018.	● Aims for efficient enhancement of β by urging companies with a strong impact on indices to make reforms utilizing knowledge of analysts of active investments. ● The agenda of engagement is identified from the perspectives of creating corporate value, and the improvement of profitability and growth potential is pursued by enhancing companies' competitiveness.
Sumitomo Mitsui Trust Asset Management Started in 2021.	● Adopts multi-engagement model in which the upper management (chairperson and president) actively participates in engagement. ● The effects of engagement are maximized for the increase of corporate value by Combining a top-down approach based on ESG materiality and a bottom-up approach from the business operation levels. ● Also utilizes policy engagement to maximize the effects of engagement for the increase of corporate value.
Resona Asset Management Started in 2021.	● Engagement based on the analyses of integrated reports using AI. ● Aims to improve the corporate value of investee companies by encouraging disclosure in integrated reports and setting qualitative improvement as interim targets and triggers. ● At present, the scope has been expanded to the Securities Report and TCFD-based analysis.

See pages 43 to 51 for details, including the individual progress.

Chapter 1.
Stewardship Activities of GPIF

1. Introduction

GPIF accepted Japan's Stewardship Code ("the Japan Code") in May 2014.

In the Japan Code, "stewardship responsibilities" refers to the responsibilities of institutional investors to enhance medium- to long-term investment returns for their clients and beneficiaries (including the ultimate beneficiaries; the same shall apply hereafter) by improving and building the investee companies' corporate value and sustainable growth through "constructive engagement", or purposeful dialogue, based on in-depth knowledge of the investee companies and their business environment, with consideration of sustainability (medium- to long-term sustainability including ESG factors) consistent with their investment management strategies.

In accordance with the Policy to Fulfill Stewardship Responsibilities which GPIF formulated in the process of accepting the Japan Code, GPIF will endeavor to achieve its mission to contribute to the stability of pension system management by focusing on the expansion of long-term investment returns for beneficiaries through various activities to fulfill the stewardship responsibilities.

The Japan Code consists of the following eight principles.

The Principles of the Code

So as to promote sustainable growth of the investee company and enhance the medium- and long-term investment return of clients and beneficiaries,

1. Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.
2. Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.
3. Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.
4. Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.
5. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.
6. Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.
7. To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.
8. Service providers for institutional investors should endeavor to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

GPIF

2. History of GPIF's Stewardship Activities

2014－16

May 2014
Accepted Japan's Stewardship Code

Established "Policy to Fulfill Stewardship Responsibilities"

March 2015
Established "Investment Principles"
▶ Stewardship activities in equity investment.

September 2015
Signed Principles for Responsible Investment (PRI)
▶ Enhanced initiatives for ESG

2017－19

June 2017
Established "Stewardship Principles" and "Proxy Voting Principles"
▶ Requested compliance from asset managers for equity investment

August 2017
Endorsed the revised Japan's Stewardship Code

October 2017
Partial revisions to "Investment Principles"
▶ Stewardship activities, including ESG-oriented initiatives, were expanded to all assets.

November 2019
Partial revision to "Policy to Fulfill Stewardship Responsibilities"
▶ Contribute to sustainable growth of markets

2020－22

February 2020
Partial revisions to "Stewardship Principles" and "Proxy Voting Principles"
▶ Requested compliance from managers of all domestic and foreign assets.

April 2020
Partial revisions to "Investment Principles"
▶ Following the revisions to the Basic Policy of Reserves, the revised Principle describes investments taking into consideration the sustainable growth of investee companies and the capital market as a whole as well as ESG.

June 2020
Endorsed the second revision to Japan's Stewardship Code.

Partial revision to "Policy to Fulfill Stewardship Responsibilities"
▶ Expanded scope to target all domestic and foreign assets
▶ Clarified consideration of ESG factors

2023-25

September 2024
Accepted the Asset Owner Principles

Formulated the "Policy on the Asset Owner Principles"

March 2025
Formulation of "Sustainability Investment Policy"
Announcement of the "Direction and medium-term initiatives of GPIF's stewardship activities"

Partial revisions to documents listed below in connection with the formulation of "Sustainability Investment Policy"
"Investment Principles," "Policy on Asset Owner Principles," "Policy to Fulfill Stewardship Responsibilities," "Stewardship Principles," and "Proxy Voting Principles"

Assessment of stewardship activities for equity investment

Assessment of stewardship activities for alternative asset investment

Assessment of stewardship activities for fixed income investment

2. History of GPIF’s Stewardship Activities (continued)

<Policy on the Asset Owner Principles>

- The government formulated a set of “common principles for asset owners' investment, governance, and risk management (Asset Owner Principles)” (hereinafter the “Principles”) on August 28, 2024.
- The Grand Design and Action Plan for a New Form of Capitalism 2024 Revised Version (approved by the cabinet on June 21, 2024) requires major public asset owners including GPIF to accept the Principles, and to formulate and disclose an initiatives policy.
- GPIF endorsed and accepted the Principles on September 18, 2024, and formulated and disclosed its initiatives policy. Key points of the initiative policy are as follows:

✓ Establish an investment policy to achieve investment objectives and investment target, and take actions in accordance with the policy
✓ Establish necessary systems and others to bring in advanced and specialized knowledge, while utilizing external asset managers, etc.
✓ Select appropriate investment methods and asset managers for the sole benefit of insureds, and manage investment risks based on diversified investments.
✓ Disclose information on the status of management of pension reserves and investment performance, etc.
✓ **Implement initiatives to fulfill stewardship responsibilities from the perspective of securing long-term investment returns for the benefit of insureds.**

<Sustainability Investment Policy>

- GPIF has been promoting investments in consideration of ESG and stewardship activities since we accepted Japan’s Stewardship Code and became a signatory to PRI. In the 5th Medium-term Objectives, we will consider investments in consideration of impact, in addition to continue promoting investments in consideration of ESG and stewardship activities.
- GPIF formulated and announced the Sustainability Investment Policy on March 31, 2025, which summarizes the approach, purpose, and principal initiatives, etc. for sustainability-conscious investment including ESG and impact.
- Under this policy, GPIF shall promote sustainability investment across all asset classes, and pursue effective approaches by selecting or combining various approaches (including engagement / exercise of voting rights) according to asset characteristics.

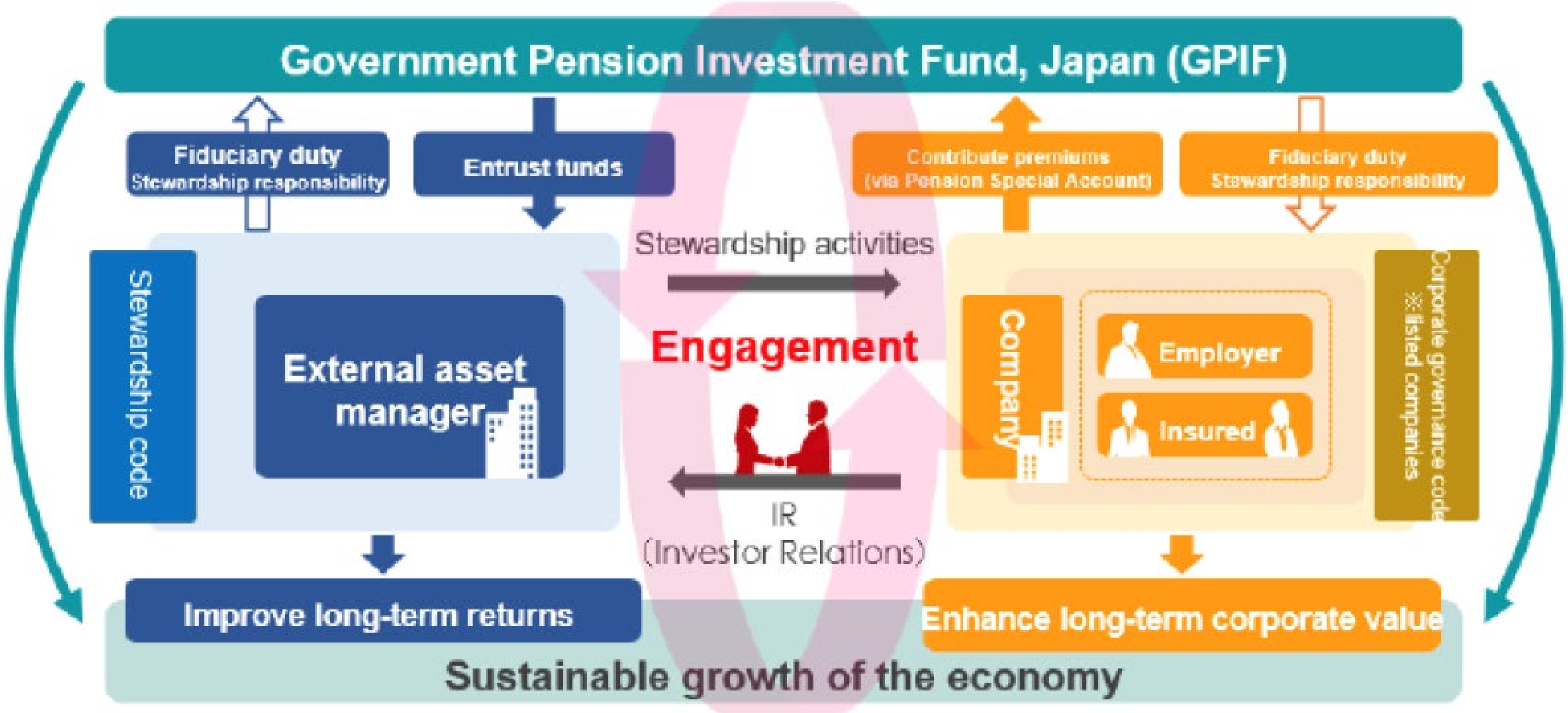
3. Stewardship Activities for GPIF

GPIF is a universal owner with a very large fund size and a widely diversified portfolio, as well as a cross-generational investor designed as a part of a 100-year sustainable pension scheme. Given such features, prevention of activities that impede corporates' long-term growth as well as sustainability of the overall capital market is essential for us.

GPIF contributes towards the sustainable growth of the overall capital market through the following activities.

As GPIF invests in equities and exercises voting rights through its external asset managers, except for some assets, we promote constructive dialogue (engagement) between asset managers and investee companies, taking into consideration sustainability factors, such as ESG, that contributes to sustainable growth.

Improvement of long-term corporate value will lead to growth of the overall economy, which will eventually enhance our long-term investment returns. GPIF shall fulfill its stewardship responsibilities by promoting engagement and building a win-win environment in the investment chain.



4. Status of Participation in Various Initiatives

GPIF has participated in a variety of initiatives since it signed the Principles for Responsible Investment (PRI) in September 2015. By participating in these initiatives, GPIF has accumulated knowledge on stewardship and ESG, which is used to evaluate the stewardship of its external asset managers.

Furthermore, GPIF has participated in a domestic organization which promotes information disclosure. Prohibited from in-house investing of equity by the relevant regulation, GPIF invests and exercises voting rights through its external asset managers. Therefore, GPIF promotes dialogue between its external asset managers and investee companies. GPIF believes that disclosure is important for both parties to conduct efficient dialogue. Particularly, disclosure of sustainability information such as ESG information is likely to gain in importance as non-financial information disclosure becomes more significant going forward.

Based on this belief, GPIF also joined the ISSB Investor Advisory Group (IIAG) as an observer in May 2024.

Joined the IIAG in 2024

Signatory of:

PRI (Principles for Responsible Investment)

Signed in September 2015

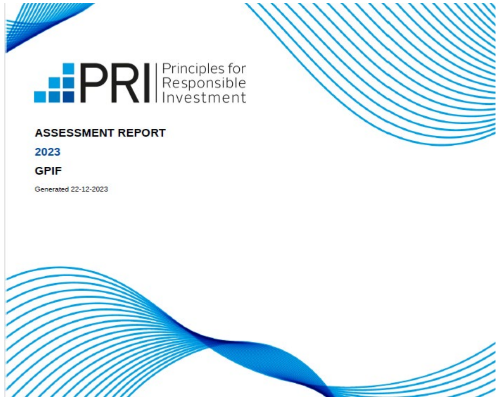
Six principles advocated in 2006 by Mr. Annan, then-Secretary General of the United Nations. PRI demands institutional investors to include ESG in the investment process.

GPIF participated in Global Policy Reference Group, Japan Network Advisory Committee, etc. In 2024, GPIF also participated in "PRI in Person," and spoke at a panel discussion titled "The place of regulation" in PRI Sustainable Finance Policy Conference 2024, which was held as a side event.

Results of the 2023 assessments* are as follows:

Policy Governance and Strategy	★★★★
Indirect - Listed equity – Passive	★★★★
Indirect - Listed equity - Active	★★★★
Indirect - Fixed income - Passive	★★★★
Indirect - Fixed income - Active	★★★★
Indirect - Infrastructure	★★★★
Confidence building measures	★★★★

*Above results are the most recent results, as reporting was not required in 2024.


PRI Principles for Responsible Investment

ASSESSMENT REPORT

2023

GPIF

Generated 22-12-2023

30% Club and Invest Ahead (former Thirty Percent Coalition)

Joined the 30% Club in the UK, and the Thirty Percent Coalition of the United States (currently Invest Ahead) in November 2016.

Joined the 30% Club in Japan in December 2019.

Both organizations were initially established to seek gender diversity in boards of directors, with the aim of achieving 30% female directors.

GPIF attended the annual general meeting of the Thirty Percent Coalition held in November 2024.

Climate Action 100+

Joined in October 2018, and decided to continue participating through Phase 2 in May 2024

This investor-led initiative was established in September 2017. Via constructive dialogue with companies that are significantly influential in formulating possible solutions to global environmental issues, it focuses on the improvement of climate change-related governance, initiatives for the reduction of greenhouse gas emissions, the enhancement of information disclosure, and more. The initiative, which initially started as a 5-year (2017-2022) project, announced in 2022 that it will continue through 2030.
In 2023, Climate Action 100+ disclosed the Phase 2 strategy for the period from 2023 to 2030, and developed the Phase 2 signatory statement. To continue participating in Phase 2, participants are required to endorse this statement.
As an asset owner, GPIF has also joined the Asia Advisory Group, which provides the Climate Action 100+ steering committee with advice on the characteristics of the Asian region, to support the activities of the initiative. In May 2024, GPIF decided to continue participating in the initiative through Phase 2.

CII (Council of Institutional Investors)

Joined in August 2019

Established by a U.S. public pension fund with the aim of promoting shareholders' rights and corporate governance and collaborating in the United States.

ICGN (International Corporate Governance Network)

Joined in August 2019

This industry association was established by institutional investors and others. It focuses on the improvement of corporate governance and encouragement of stewardship activities with the aim of promoting efficient markets and a sustainable economy.
GPIF attended the ICGN 2024 Annual Conference held in July 2024, and the ICGN 30th Anniversary Conference – Asia, which was held in Japan in March 2025.

ISSB Investor Advisory Group (IIAG)

Joined in May 2024

IIAG is a group comprised of major asset owners and asset managers in various markets that are committed to improving the quality and comparability of sustainability-related financial disclosures. The IIAG has more than 60 members (as of May 2024), and serves as an advisory body to the ISSB:

・providing strategic guidance on developing IFRS Sustainability Disclosure Standards; and
・helping to ensure that the investor perspective is articulated clearly and is considered in the ISSB's standard-setting process.

IIAG helps achieve widespread adoption of IFRS Sustainability Disclosure Standards by encouraging organizations to use the IFRS Sustainability Disclosure Standards to communicate performance to investors on sustainability-related issues that affect enterprise value.

GPIF joined IIAG as an observer in May 2024.

Domestic organizations promoting disclosure

JPX ESG Knowledge Hub

Participated as a supporter in November 2020.

The ESG Knowledge Hub was established in November 2020 by JPX from the viewpoint of promoting disclosure of ESG information by listed companies for the purpose of enabling one-stop access to content and information which will help understand ESG investments, and making the ESG Knowledge Hub a community that connects listed companies, investors, and related organizations.

The purposes of the ESG Knowledge Hub are consistent with the intent of GPIF's stewardship activities, that is, to encourage engagement between its external asset managers and investee companies, taking into consideration ESG factors that contribute to sustainable growth. GPIF believes that the progress of ESG disclosure by listed Japanese companies will enhance the Japanese equity market.

GPIF agreed with the purpose of its establishment, participating as a supporter from the beginning, with a qualification for participation as an investor and related organization. (As of now, there are approximately 60 supporters, consisting of domestic and overseas investors as well as related organizations including ministries and other government agencies.)

GPIF spoke at the "ESG Information Disclosure Practical Seminar" in October and December 2024.

Participated as an observer in February 2023.

The major challenge for many Japanese companies and institutional investors is how they should face the trend of ESG disclosure that has been dramatically changing globally. The ESG Disclosure Study Group was established in June 2020 with the aim of providing listed companies and investors with opportunities for free and open discussions while enriching ideas on the ideal disclosure of non-financial information to contribute to the long-term improvement of corporate value, while paying close attention to global trends.

Its main activities include: 1) searching for an effective and efficient framework of ESG information disclosure, 2) accumulating implementation examples (verified) related to ESG information disclosure, 3) promoting mutual understanding among stakeholders for better decision-making, and 4) publishing white papers on study results.

GPIF spoke at the "47th Study Session" in August 2024.

5. Engagement with External Asset Managers

- GPIF communicates with external asset managers through an engagement model that emphasizes two-way communication while expressing our way of thinking toward stewardship responsibilities. GPIF holds meetings and conduct questionnaire surveys as necessary with external asset managers, such as stewardship meetings according to ad-hoc topics and necessary issues, in addition to the annual general evaluation.
- In 2024, GPIF conducted on-site dialogues, including evaluation meetings, with external asset managers entrusted with North American equity and developed countries equity investments which had been selected in 2022 and 2023 and other asset managers for foreign equities. Furthermore, GPIF had more opportunities for in-person dialogues throughout the year, such as in-person dialogues with external asset managers when we attended ICGN held in London in July 2024 and “PRI in Person Toronto” held in Toronto in October 2024. In addition, GPIF also attended in-person or on-line conferences and seminars hosted by asset managers, and held dialogues with asset managers abroad, resulting in increase of the opportunities for exchange of views. We will continue to increase opportunities for dialogues, mainly with newly selected asset managers.
- We hold individual meetings and briefings for asset managers when GPIF establishes new policies or makes significant policy changes in order to provide sufficient information such as the background concepts, and GPIF’s awareness of issues. We focus on conducting two-way communication via exchange of views and feedback through Q&A sessions and the follow-ups.
- In 2024, as the number of external asset managers significantly increased over the past several years following the conclusion of contracts with new external asset managers engaging in active fixed-income investment and active foreign equity investment, GPIF continued to implement individual engagement for asset managers—including new ones—concerning GPIF’s views and what is expected from external asset managers, in addition to holding a briefing for asset managers.

Briefing for external asset managers

・Briefing for external asset managers (held in February 2025)

With the addition of a large number of new external asset managers, GPIF explained its investment guidelines, assessment methods of stewardship activities and related materials in addition to reviewing the activities implemented in FY2024, and exchanged views with them.

<Status of PRI signing and sustainability disclosure by external asset managers>

- In the Stewardship Principles, GPIF has stipulated “ESG integration into the investment process” and required our external asset managers to sign the PRI. In the February 2020 revision, GPIF required our external asset managers to proactively participate in various initiatives.
- GPIF has conducted a questionnaire survey and interviews with our external asset managers entrusted with equity and fixed income, asking the status of their participation in initiatives such as PRI and TCFD. The following is outline of the status of PRI signing, the status of TCFD disclosure, which is increasing among Japanese companies, and the status of TNFD disclosure, which is expected to increase in the future.

  ● All external asset managers entrusted with domestic equity and domestic fixed-income investments have signed the PRI. All external asset managers entrusted with foreign equity investment have signed the PRI except for two managers. In terms of external asset managers entrusted with foreign fixed-income investment, all of them (or their parent companies) are signatories to the PRI (as of December 2024).

  ● Little less than 80% of the external asset managers have implemented TCFD disclosure. Some asset managers are now considering to implement the disclosure for the next fiscal year. The status of disclosure continued to vary depending on asset managers. In terms of TNFD, many of the Japanese asset managers have already implemented or are considering to implement the disclosure, however, as a whole, a little over 60% of the asset managers do not currently plan to implement the disclosure. For TCFD disclosure, some issued independent publications such as a TCFD Report or Climate Report, some combined it with TNFD and issued a TCFD/TNFD report, and others posted their disclosure as a part of their sustainability report or similar publication. Also, some asset managers regarded an announcement on their websites or the PRI reporting as their disclosure. Thus, many asset managers are positive toward better disclosure in various ways.
- In many cases, TCFD disclosure is an engagement topic with investee companies. Also, in recent years, dialogues on natural capital and biodiversity as well as dialogues on TNFD disclosure, which is the disclosure on those themes, are increasing. Sharing the knowledge and experiences regarding disclosure of asset managers are likely to serve as a reference for investee companies and encouragement to disclosure by themselves.

<Material ESG issues listed by asset managers>

- In the Stewardship Principles, GPIF has stipulated “ESG integration into the investment process.” Based on this, GPIF conducts a questionnaire survey and interviews every year concerning critical ESG issues selected by each external asset manager entrusted with equity investment and fixed income investment.

- Please refer to page 52 for the Critical ESG Issues Listed by GPIF's Asset Managers entrusted with equity and fixed income investment. Questions on fixed income investment were asked on the assumption of corporate bonds. For government and public bonds, GPIF received open answers if asset managers established critical ESG issues.
- Based on the results, GPIF ascertains why they highlighted such issues, on what grounds they changed the highlighted issues, and how they will engage with investee companies regarding these issues.
- In order to promote smooth dialogue between investee companies and investors, GPIF also asked investee companies their principle ESG topics in the Tenth Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities conducted in January 2025.

ESG integration

- GPIF has stipulated "ESG integration into the investment process" in the Stewardship Principles. In the previous Stewardship Activities Report, GPIF set forth its ESG integration across different investment styles under the section of "Expectations and Challenges for External Asset Managers."
- As a signatory to PRI, GPIF's ESG integration is based on the definition set forth by PRI (i.e., ESG should be expressly and systematically incorporated in investment analysis and investment decisions).
- In the Assessment of ESG Integration, GPIF has begun to include the assessment of ESG Integration as part of the Investment Process since the comprehensive assessment (for equity and fixed-income) conducted in 2019. Specifically, matters such as ESG policy, ESG data gathering and importance analysis, changes in impact on the corporates/sectors, and application to investment decision are assessed in the management process.
- ESG-related engagement and exercise of voting rights are assessed as part of the "Stewardship Activities."

Request for disclosure of the details of proxy voting records

- In the Proxy Voting Principles, GPIF asks its external asset managers to publicly disclose proxy voting records for each investee company. With the exception of one manager, all external asset managers entrusted with domestic equity investment disclosed their proxy voting records.
- It should be noted, however, in addition to whether managers disclose the records, the frequency and details of the disclosure vary depending on each asset manager, and GPIF will continue to conduct engagement for the improvement of disclosure.

Reference: Status of disclosure of the details of proxy voting records (GPIF's external asset managers for domestic equities [Source: FY 2023 Annual Report])

Asset managers entrusted with domestic equity investment	Disclosure websites for proxy voting records
Asset Management One	http://www.am-one.co.jp/company/voting/
Invesco Asset Management (Japan)	https://www.invesco.com/jp/ja/policies/proxy.html
Wellington Management Japan Pte Ltd.	https://www.wellington.com/jp-jp/professional/proxy-vote-result
M&G Investment Management Ltd.	https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments/voting-history
Capital International (Capital International, Inc.)	https://www.capitalgroup.com/advisor/jp/ja/proxy-voting.html
Goldman Sachs Asset Management	https://am.gs.com/ja-jp/individual/creating-impact/stewardship-code
Columbia Management Investment Advisers	https://www.columbiathreadneedleus.com/investor/disclosures/proxy-voting-report
GLG Partners	Not disclosed (however, it responds on a case-by-case upon request from companies)
JPMorgan Asset Management	https://am.jpmorgan.com/jp/ja/asset-management/per/corporate-governance/proxy-voting/
Schroders Investment Management (Japan)	https://www.schroders.com/ja-jp/jp/asset-management/about-schroders/proxy-voting/
Tokio Marine Asset Management Co., Ltd.	https://www.tokiomarineam.co.jp/company/responsible_investment/vote.html

Nikko Asset Management Co., Ltd.	https://www.nikkoam.com/about/vote/results
Nomura Asset Management	https://www.nomura-am.co.jp/special/esg/responsibility_investment/vote.html
Pictet Asset Management (Japan) Ltd.	https://www.pictet.co.jp/company/policy/proxy-voting-results.html
FIL Investments	https://www.fidelity.co.jp/about-fidelity/policies/investment/voting
BlackRock Japan	https://www.blackrock.com/jp/individual/ja/about-us/important-information/voting
Manulife Investment Management (Japan) Limited	https://vds.issgovernance.com/vds/#/MTAzNDA3/
Sumitomo Mitsui DS Asset Management	https://www.smd-am.co.jp/corporate/responsible_investment/voting/report/
Sumitomo Mitsui Trust Asset Management	https://www.smtam.jp/company/policy/voting/result/
Mitsubishi UFJ Trust and Banking	https://www.tr.mufg.jp/houjin/jutaku/about_stewardship.html
Lazard Japan Asset Management	https://www.lazardassetmanagement.com/jp/ja_jp/references/sustainable-investing
Russell Investments Japan Co., Ltd.	https://russellinvestments.com/jp/legal/proxy
Resona Asset Management	https://www.resona-am.co.jp/investors/giketuken.html

Note: Names in parentheses indicate subcontractors. URLs are based on information current as of March 17, 2025.

6. Assessment of “Stewardship Activities by Asset Managers”

<Assessment of stewardship activities by asset managers>

- A comprehensive assessment of asset managers is conducted through qualitative assessment while taking into consideration quantitative achievements.
- Approximately 90% of GPIF’s equity investment is passively managed, and GPIF invests in a wide range of listed companies. For the improvement of returns for GPIF, the sustainability of the entire market is crucial. Therefore, we believe that it is critical for passive managers to implement engagement activities, which can encourage investee companies to increase their corporate value and the sustainable growth of the entire market from the long-term perspective.
- In the May 2017 revision to Japan’s Stewardship Code, the importance of dialogue in passive investment is clarified, and the possibility of collaborative engagement is also referred to as a means of dialogue. Furthermore, in the second revision of the Stewardship Code published in March 2020, “consideration of sustainability consistent with investment management strategies (medium- to long-term sustainability including ESG factors)” was added to the definition of stewardship responsibilities. Thus, ESG to fulfill stewardship responsibilities has been growing increasingly important. Also, with the current proposals to revise the code, i.e.,“revisions for the enhancement of transparency of beneficial shareholders and for collaborative engagement” and “revisions from the perspective of streamlining and being more principle-based,” the importance of collaborative engagement in Japan is expected to increase in the future.
- These revisions clarify the expectations for stewardship activities with consideration of sustainability such as ESG, particularly its significance in passive investment. GPIF highly evaluates asset managers who fulfill stewardship responsibilities more effectively.
- With respect to the initiatives for stewardship responsibilities, passive investments are assessed in terms of their contribution to the long-term improvement of corporate value of investee companies and, in particular, sustainable growth of the market, whereas active investments are assessed in terms of their contribution to increasing shareholder value of the investee companies in the long run.
- Since the introduction of the Stewardship Code in 2014, the stewardship activities of asset managers have been formally well organized. Following the second revision of the Stewardship Code, GPIF changed the assessment system of initiatives for stewardship responsibilities from the 2020 comprehensive assessment to a system in which more substantial activities are highly evaluated.
- Specifically, in this assessment, we exchange opinions on how asset managers are working on stewardship activities, while confirming the following points. Information obtained from external providers is also referred.

- ✓ **Framework (organizations, management of conflicts of interest)**
- ✓ **Endorsement status of Japan's Stewardship Code and the Principles for Responsible Investment (PRI)**
- ✓ **Stewardship activities (policy, status, implementation of engagement)**
- ✓ **ESG activities including responses to critical ESG issues listed by asset managers**
- ✓ **Exercise of voting rights (topics, cases where judgments are divided among asset managers, process of judgments on exercising shareholder proposals, and others)**
- ✓ **Responses to GPIF's Stewardship Principles and Proxy Voting Principles, including disclosing the details of proxy voting records**

－ In cases where we acknowledge concerns about the governance of external asset managers—such as conflicts of interest—through reports and interviews, we communicate our concerns and engage in various opportunities, aiming to alleviate such concerns.

Weight	Equity passive	Equity active
Investment policy, investment process, organization, human resources, etc.	70%	90%
Stewardship responsibilities	30%	10%
Viewpoints of assessment of stewardship activities	Contribution to the sustainable growth of the market	Contribution to increasing shareholder value of the investee companies in the long term
Base for the assessment	(Common to both passive and active) Stewardship Code, GPIF's Stewardship Principles and Proxy Voting Principles	

<Assessment of stewardship activities by fixed-income managers>

－ The scope of assets under stewardship responsibilities was expanded to all assets in accordance with the revised UK Stewardship Code that took effect in January 2020 ("The UK Stewardship Code 2020"). While the scope of assets were assumed to be Japanese listed equities in Japan, it was explicitly stated in the Japan Code which was again revised in March 2020 that other assets are also applicable. Accordingly, the stewardship activities of fixed-income investors have also made further progress.

- In response to the second revision to the Japan Code, GPIF expanded the scope of assets subject to the Policy to Fulfill Stewardship Responsibilities from equity to all assets, including fixed income in June 2020, and has been considering assessment methods for fixed income asset managers. As part of such initiatives, GPIF conducted a questionnaire survey on stewardship activities by external asset managers for fixed income in 2020. In the survey, GPIF ascertained the current measures on overall stewardship activities by external asset managers, including the status of implementation of engagement activities, as well as their future plans and challenges.
- Based on the above, stewardship activities by external asset managers for fixed income have been assessed since FY2022 in terms of their contribution to encouraging the sustainable growth of investee companies and reducing credit risks.
- At this stage, it is hard to say that evaluation methods for individual engagement concerning asset managers for fixed income have been established. Therefore, their stewardship activities shall be evaluated in the item of "organization and human resources," by assessing the status of establishment of organizations and human resources for stewardship activities, including policies and systems such as stewardship policies and the management of conflicts of interest. The same policy will apply in FY2025.
- Specifically, GPIF assesses the status of organizations and human resources regarding the implementation of stewardship activities by external asset managers, while confirming the following points.
  - ✓ **Framework (organizations, management of conflicts of interest)**
  - ✓ **Endorsement status of Japan's Stewardship Code and the Principles for Responsible Investment (PRI)**
  - ✓ **Policy for Stewardship Activities**
  - ✓ **Response to GPIF's Stewardship Principles (applicable items), etc.**

<Assessment of stewardship activities by alternative managers>

- Alternative assets (infrastructure, real estate, private equity) represent an asset class in which asset managers may have an impact directly on ESG activities of investee companies. As a result, mainly global investors focusing on ESG have been increasing when selecting investment managers. At GPIF, stewardship responsibilities and the initiatives for ESG have been critical items for evaluation since starting the call for investment managers to apply in April 2017. Since 2023, GPIF has invested in limited partnerships, and the critical assessment items for selection include their stewardship responsibilities and ESG activities.
- After selecting investment managers, GPIF asks them to submit an ESG Report on a regular basis, based on which GPIF evaluates their initiatives for stewardship responsibilities in the comprehensive assessment. As the fund of funds type investment has been currently adopted, we exchange opinions concerning how the gatekeepers and fund of funds managers implement stewardship activities.

- ✓ **Framework (organizations, management of conflicts of interest, etc.)**
- ✓ **Endorsement status of the Principles for Responsible Investment (PRI)**
- ✓ **Stewardship activities including ESG (policy, status, implementation of engagement, and response to ESG issues according to the characteristics of the assets)**

- In March 2020, as a real estate investor member, GPIF joined GRESB*, an initiative providing a benchmark for environmental, social, and governance (ESG) in real estate and infrastructure investments. In August 2022, GPIF joined GRESB as Japan's first infrastructure investor member. In the assessment of external asset managers, GPIF also confirms the status of their use of data provided by GRESB.
- When choosing an investment destination, both gatekeepers and fund of funds managers confirm ESG activities of investees. After appointment, they conduct engagement with investees, including encouragement of the establishment of ESG policies.

*Outline of GRESB:

GRESB is an initiative established in 2009 mainly by European pension funds and provides ESG benchmarks for real estate and infrastructure investments. GRESB assesses the initiatives and achievements with ESG investments by real estate companies, real estate funds, infrastructure business operators and infrastructure funds on an annual basis. According to the most recent annual assessment, more than 2,200 real estate companies and real estate funds, and more than 800 infrastructure business operators and infrastructure funds participated, and the amount of the subject real assets reached approximately 9 trillion U.S. dollars. More than 150 institutional investors use the assessment results to select investee companies to conduct monitoring and engagement as investor members.

GRESB® and the related logo are trademarks owned by GRESB BV and are used with permission.

7. Engagement with Index Providers and ESG Rating Agencies

- In passive investment, an important factor of success is benchmark selection, rather than the investment skill. However, asset owners, including GPIF, have not exerted much effort in selecting ideal benchmarks. With that in mind, GPIF partially introduced the Index Posting System in FY2019 with the aim of effectively gathering information on various indices in order to enhance its overall fund management.
- GPIF has implemented due diligence and engagement, as it has gradually acknowledged the significance of the assessment of index providers' organizational structure as well as governance system when selecting benchmarks, such as an ESG index. Specifically, GPIF strictly examines the relationships between ESG rating agencies/index providers and their stakeholders (shareholders and major customers), their decision-making processes (whether they have independent committees, what they discussed), and whether they engage in any forms of business that are likely to fall under conflicts of interest, such as consulting services for companies. GPIF believes that index providers should be responsible for establishing solid governance systems and implementing investor-oriented decision-making, since their presence is gradually increasing.
- Since April 2022, the Technical Committee for ESG Evaluation and Data Providers, which was established under the FSA, has discussed the current status concerning ESG rating and data, the challenges of the relevant parties to provide and use ESG rating and data appropriately, future prospects, and a wide scope of other items. At the 15th Expert Panel on Sustainable Finance held in December 2022, the Code of Conduct for ESG Evaluation and Data Providers was reported and then published. The FSA urged ESG rating agencies and data providers to accept the Code of Conduct, and called on them to announce on their own websites and inform the FSA that they accepted it if they decided to do so. In July 2023, the FSA published the first list of the ESG evaluation and data providers that notified the FSA of their intention to endorse the Code of Conduct for ESG Evaluation and Data Providers. As of December 2024, the number of such organizations that declared their endorsement was 28.
- Furthermore, GPIF, as an asset owner, has proactively participated and provided opinions in the consultation meetings held by index providers and ESG rating agencies when they consider changing index methodologies and ESG assessment methodologies. GPIF encourages external asset managers to give similar attention.
- GPIF has been reviewing its contract style with index providers while enhancing its commitment to indices. We believe that the alignment with not only index providers but also passive managers would be strengthened if the index license fee is directly borne by GPIF.

8. Initiatives for Promoting Dialogue between Asset Managers and Investee Companies

<Survey of TOPIX component companies>

- GPIF conducted its first survey of JPX-Nikkei Index 400 companies in January 2016 with the aim of assessing the stewardship activities of external asset managers and understanding the actual status of purposeful dialogue (engagement). Since the third survey in 2018, we expanded the subjects to companies listed on the TSE's first section in order to obtain direct feedback from a wide range of companies. Due to changes in the TSE's market segments, the subjects were changed to the constituents of TOPIX in the eighth survey conducted in January 2023.
- The survey examined 1) evaluations concerning the stewardship activities of GPIF's asset managers, 2) the actual status of purposeful dialogue (engagement), 3) changes in the past year, 4) IR and ESG activities of investee companies, and 5) GPIF's initiatives.
- In the ninth survey conducted in January 2024, 717 companies responded, which accounted for 33.3% of the subject 2,154 constituents of TOPIX.
- New questions have been added to this survey, such as "Regarding the Tokyo Stock Exchange's request to take 'Action to Implement Management that is Conscious of Cost of Capital and Stock Price,'" "Specific content and impressions of dialogue with outside directors," "Status of discussion on ESG and sustainability at board of directors meetings," and "Regarding the Task Force on Nature-related Financial Disclosures (TNFD)." Regarding "Action to Implement Management that is Conscious of Cost of Capital and Stock Price," most companies have been working on these measures following a request from the Tokyo Stock Exchange last year, but many companies are aware of challenges in considering how to respond.
- Many companies have responded that they would be willing to cooperate with additional interviews aimed at understanding the actual state of dialogue conducted by our asset managers. The results of these interviews are summarized on the next page.
- The result of the survey is available here: https://www.gpif.go.jp/en/investment/report_of_the_9th_survey.html

<Company Interviews>

- GPIF has conducted company interviews with the cooperation of a little over 30 companies among the respondent companies of the 9th Survey of Listed Companies Regarding Institutional Investors' Stewardship Activities conducted in 2024. The purpose of these interviews is to ascertain the actual status of engagement (purposeful and constructive dialogue) with listed companies conducted by institutional investors mainly comprised of external asset managers (GPIF's asset managers).
- We summarized the evaluations and issues pertaining to engagement conducted by institutional investors from the perspective of companies.
- These interviews revealed that institutional investors are having more in-depth conversations from the medium- to long-term perspective, and topics of dialogue have expanded from verification of financial and business situations to sustainability, governance, capital cost, and effective information disclosure. Additionally, it was confirmed that the companies are incorporating feedback from investors to the board of directors and reflecting them in their internal initiatives.
- Through dialogue between companies and investors, there has been progress in corporate awareness, initiatives, and disclosure regarding taking action to implement management that is conscious of cost of capital and stock price. It was confirmed that, in dialogues between companies and investors, discussions are taking place on topics such as the level and calculation method of capital cost, the breakdown of PBR components, and the need for profitability management by business segment.
- Based on these dialogues, companies are taking actions that are beyond disposition of cross-shareholdings / fixed assets and share buyback. It was confirmed that investors are also highly recognizing companies' proactive efforts in research and development, and are seeking forward-looking initiatives aimed at growth over merely shareholder returns.
- Furthermore, with respect to sustainability such as ESG, the following initiatives have been identified as companies' responses based on their dialogue with investors; (1) a case where the company's ESG ratings improved through the disclosure of sustainability data, (2) a case where the company used exemplary disclosure cases of other firms, introduced by investors, for internal review, and (3) a case where the company visualized both non-financial and financial information and analyzed how this contributes to the enhancing corporate value.
- At the same time, companies pointed out following issues; (1) investors are still asking many questions regarding short-term business performance, (2) some investors are inadequately prepared for dialogue, (3) box-ticking dialogues are being conducted, (4) constructive feedback on the business itself or on sustainability initiatives is rarely provided, and (5) voting rights were exercised based on formalistic standards without considering the actual status.
- The detailed results of the interviews will be released in or after April 2025.

<Excellent Integrated Reports and Most-improved Integrated Reports selected by GPIF's asset managers entrusted with equity investment>

- GPIF considers integrated reports to be important tools for constructive dialogue that improves corporate value, and believes they are instrumental for interactive engagement between external asset managers and investee companies.
- Therefore, since 2016, GPIF has asked external asset managers for domestic equities to nominate companies that have published excellent integrated reports, with the aim of encouraging companies to start publishing or enhancing integrated reports, as well as encouraging investors to utilize them. For the ninth year, GPIF requested asset managers to nominate up to 10 excellent integrated reports and 10 most-improved integrated reports during fall and winter of 2024. GPIF compiled the results and announced them in March 11, 2025.
- With the establishment of the ISSB Standards, the system of sustainability disclosure is expected to change significantly in the future, therefore, we also asked them to provide their “expectations for integrated reports prepared by Japanese companies and overall information disclosure made by Japanese companies, as well as improvements they want to see,” and posted their responses (Please see the following website for details: https://www.gpif.go.jp/en/investment/excellent.most-improved-integrated-reports_2025_04.pdf).
- We received many inquiries from companies and positive feedback, such as “The management began to pay more attention to integrated reports,” “There is increased awareness of integrated reports within the company,” and “This will help us to prepare our next integrated report.” There were many cases in which companies announced on their website that they were selected for excellent or most improved integrated reports. Backed by the heightened awareness from the business side, we will continue this initiative as a tool to make dialogues between investee companies and asset managers more useful.

○ Excellent Integrated Reports

GPIF’s asset managers entrusted with domestic equity investment named a total of 78 companies. The following companies were highly evaluated by four or more respondents as publishers of excellent integrated reports.

- ◇ **ITOCHU Corporation** **8 asset managers**
- ◇ **Nomura Research Institute, Ltd.** **7 asset managers**
- ◇ **Hitachi, Ltd.** **7 asset managers**
- ◇ **Sony Group Corporation** **6 asset managers**
- ◇ **Ajinomoto Co., Inc.** **5 asset managers**
- ◇ **Sekisui House, Ltd.** **4 asset managers**
- ◇ **EBARA CORPORATION** **4 asset managers**
- ◇ **Mitsubishi UFJ Financial Group, Inc.** **4 asset managers**

○ Most-improved Integrated Reports

GPIF’s asset managers entrusted with domestic equity investment named a total of 93 companies The following company was nominated by four or more respondents as publishers of most-improved integrated reports.

- ◇ **Mitsubishi UFJ Financial Group, Inc.** **4 asset managers**

<Excellent TCFD Disclosure selected by GPIF's asset managers entrusted with equity investment>

- The Corporate Governance Code was revised in June 2021 and stipulates that companies listed on the Prime Market "should collect and analyze the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and enhance the quality and quantity of disclosure based on the TCFD recommendations, which are an internationally well-established disclosure framework, or an equivalent framework."
- Examples of companies that have provided TCFD disclosure ahead of others are useful for other companies that intend to implement TCFD disclosure in the future. TCFD is a framework of disclosure shared worldwide, and we believe that referring to examples of companies outside Japan will be useful. Therefore, continuing on from last year, we asked our external asset managers entrusted with domestic and foreign equities to select companies that provided excellent TCFD disclosure.
- GPIF asked external asset managers entrusted with equity investment to nominate up to five companies that provided excellent TCFD disclosure. GPIF compiled the results and announced them in January 2025. As TCFD disclosure is progressing, we did not ask the managers to select four disclosure items (governance, strategy, risk management, and metrics and targets) in this survey.
- Climate-related disclosure standards have been published as one of the thematic standards along with universal standards, under frameworks such as IFRS S2 (climate-related disclosures) and the sustainability disclosure standards issued by SSBJ. Since climate-related disclosure will likely become indispensable for global companies in the future, GPIF will continue to work on this announcement.

○ Excellent TCFD Disclosure (Japanese companies)

GPIF's asset managers entrusted with domestic equity investment named a total of 44 companies. The following companies were highly evaluated by four or more respondents as publishers of excellent TCFD disclosure.

◇ Mitsubishi UFJ Financial Group, Inc. 6 asset managers ◇ Asahi Group Holdings 5 asset managers ◇ Hitachi, Ltd. 5 asset managers
◇ ITOCHU Corporation 5 asset managers ◇ Mitsui O.S.K. Lines, Ltd. 5 asset managers

Note: Please visit the website for details, including the comments of the asset managers. https://www.gpif.go.jp/en/investment/202504_excellent_TCFD_disclosure_en.pdf

○ Excellent TCFD Disclosure (Overseas companies)

GPIF's asset managers entrusted with foreign equity investment named a total of 79 companies. The following companies were highly evaluated by four or more respondents as publishers of excellent TCFD disclosure.

◇Microsoft Corporation 8 asset managers ◇Enel Spa 6 asset managers

Note: Please visit the website for details, including the comments of the asset managers. https://www.gpif.go.jp/en/investment/202501_excellent_TCFD_disclosure_en.pdf

9. Measurement of the effects of stewardship activities

<Evaluation of the effects of engagement> https://www.gpif.go.jp/en/investment/esg_stw_project/project_report-1.html

- A considerable amount of time has passed since the start of GPIF's stewardship activities and ESG investments, and data has been accumulated. Therefore, GPIF conducted a verification of the effects of initiatives it has implemented by working with consultants and academia with advanced knowledge of statistical analysis.
- Using the records of 26,792 engagements covering 48,077 themes conducted from FY2017 to FY2022 (for FY2022, until the end of December 2022) by 21 funds of GPIF's external asset managers entrusted with domestic equity investments, GPIF analyzed the effects of the engagements including their causation.
- The results indicate that the engagements are contributing to sustainable growth of the market, as evidenced by an increase in the presence of GHG emissions reduction targets which are directly linked to the dialogues, as well as improvements in corporate value such as PBR and Tobin's Q, in the case of climate-related engagements.

<KPIs in which the effects of engagement have been observed — Overall (TOPIX1000)>

Theme	KPI (Outcome)	Significance level	Estimated effect	Positive/ Negative
E1: Climate Change	Tobin's q	1%	0.07	Positive
	PBR	1%	0.11	Positive
	Presence of GHG Emissions Reduction Targets	1%	0.08	Positive
	Carbon Intensity Scope 2	1%	-5.29	Positive
G1: Board Structure, Self-evaluation	PBR	5%	0.11	Positive
	Natural Logarithm of Market Cap	5%	0.06	Positive
	Total Shareholder Return	5%	3.80	Positive
	# of Independent Outside Directors	5%	0.15	Positive
G3: Capital Efficiency	Total Shareholder Return	5%	3.68	Positive
G4-1: Cross-shareholdings	Cross-shareholding Ratio	5%	-0.01	Positive
SG1: Diversity	Natural Logarithm of Market Cap	1%	0.08	Positive

For example, 256 companies received engagement for "Board Structure, Self-evaluation" in FY2017, and the total market cap of those companies was approximately 304 trillion yen (as of the end of March 2018), accounting for 47% of the total market cap of TOPIX constituents at that time. If the **market cap of these companies increases by 6% on average** owing to the effects of engagement, the impact of engagement could be huge.

10.

<Cooperation with Keidanren: Establishment of Keidanren-GPIF Asset Owners’ Roundtable and its Meetings >

- GPIF, with Japan Business Federation (hereinafter Keidanren), has established the “Keidanren-GPIF Asset Owners’ Roundtable.”
- With the formulation of the Asset Owner Principles, the importance of stewardship activities and expectations for asset owners are increasing more than ever. In response, we established the roundtable with Keidanren as a forum for exchanging opinions with companies on an ongoing basis to enhance our current initiatives.
- We also invited other public pension funds that mainly entrust their investments to asset managers in a similar way as GPIF. Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, and Promotion and Mutual Aid Corporation for Private Schools of Japan have also participated.
- From the perspective of increasing long-term investment returns, GPIF continues to aim to optimize the investment chain by supporting the continuous growth and development of companies and the capital market, through promoting dialogue between asset managers and companies as well as through conducting interviews with investee companies.

[Overview of the Keidanren-GPIF Asset Owners’ Roundtable]

Establishment: October 3, 2024 (1st Meeting)

Participants

Asset owner side:	Government Pension Investment Fund (GPIF)
	Federation of National Public Service Personnel Mutual Aid Associations
	Pension Fund Association for Local Government Officials
	Promotion and Mutual Aid Corporation for Private Schools of Japan, and others
Keidanren side:	Companies that are members of the Committee on Financial and Capital Markets

Meeting frequency: One to three times a year

Proceedings are undisclosed in principle, but a summary will be issued after the meeting

[First Roundtable (held on October 3, 2024)]

- From the asset owner side, GPIF, Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, and the Promotion and Mutual Aid Corporation for Private Schools of Japan participated. From the Keidanren side, members of the Committee on Financial and Capital Markets (issuer companies) participated.
- Each asset owner explained their initiatives based on the Asset Owner Principles, and then GPIF explained its "FY2023 ESG Report." Following the explanation of the "Opinion Statement on the 'Action Program for Substantiating Corporate Governance Reforms'" by KENDANREN, companies and asset owners exchanged their opinions.

[Second Roundtable (held on February 20, 2025)]

- From the asset owner side, GPIF, Federation of National Public Service Personnel Mutual Aid Associations, Pension Fund Association for Local Government Officials, and the Promotion and Mutual Aid Corporation for Private Schools of Japan participated. From the Keidanren side, members of the Committee on Financial and Capital Markets (issuer companies) participated.
- Multiple asset managers were invited as guests. A total of approximately 50 people attended the meeting, including asset owners, asset managers in charge of asset management, and issuer companies. They were divided into four groups for discussion, which was followed by a presentation by each discussion group, and then the opinion exchange session as a whole.
- During the group discussion, active exchanges took place on the issues and measures for resolution regarding (1) dialogue between companies and investors, and (2) the exercise of voting rights at shareholders' meetings.

<Collaboration with Global Asset Owners: Global Asset Owners' Forum>

- This forum was established by GPIF with co-organizers CalPERS and CalSTRS for continuous exchange of opinions to further fulfill our stewardship responsibilities with the aim of utilizing mutual knowledge with foreign public pension funds and others. The first conference was held in Tokyo in November 2016.
- Members (except for co-organizers) include the Florida State Board of Administration and the Regents of University of California of the United States; bcIMC and OTPP of Canada; NBIM, APG, PGGM, AP2, ERAFP, and USS of Europe; GIC of Singapore; HESTA of Australia; and the World Bank.
- Most recently, after suspension of the Forum due to the COVID-19 pandemic, the Global Asset Owners' Forum was held in October 2023 for the first time in four and a half years. The members of the Forum discussed various topics including expectations for Japanese companies such as timely disclosures and timely English translations, support for the ISSB standards, and support for the TSE's request on cost of capital, etc., and these opinions were summarized and published in January, 2024.

  https://www.gpif.go.jp/en/investment/summary_6th_Global_Asset_Owners_Forum_en.pdf

Presentations at various seminars and international conferences (since last reported)

May 2024: RI Japan 2024

October 2024: Japan Weeks－GGX Finance Summit 2024

October 2024: PRI Sustainable Finance Policy Conference 2024

October 2024: FSA's "Expert Panel on the Stewardship Code" (1st meeting in FY2024)"

Chapter 2.
Initiatives and Challenges of External Asset Managers

1. GPIF's View on the Current Status of External Asset Managers

<Organization, systems, policies, etc., in stewardship activities>

- The overall quality of stewardship activities by external asset manager has improved in both the content and pace of initiatives.　Most external asset managers, for both passive and active investment, have developed policies for engagement, sustainability, and ESG. Their corporate philosophy, principles and processes are applied into these policies, and have been developed into ongoing firm-wide efforts, which are reviewed on a regular basis.
- In stewardship reports by external asset managers, there are notable efforts such as the disclosure of key focus areas in stewardship activities from a medium- to long-term perspective, as well as activity plans looking several years ahead. There are also examples where, <u>from the investor's perspective, expectations for companies regarding sustainability and governance—such as step-by-step improvements aligned with global standards and a specified timeline—are clearly presented.</u>
- In the past few years, some passive and also active managers have established and enhanced a dedicated department in charge of stewardship activities, thereby organizational efforts for stewardship activities have been further established. On the other hand, from the perspectives of cooperation between persons in charge of investment (fund managers and research analysts) and persons in charge of sustainability such as ESG (hereinafter simply referred to as "sustainability") or stewardship activities, and from the perspective of sharing of expertise between them, some external asset managers have established a section (or a position) responsible for sustainability or stewardship activities within the investment division.
- With active asset managers, the content and approach of engagement activities vary depending on their organizational structures and investment styles. For example, when a dedicated department is established to oversee stewardship activities, collaboration between the investment division and stewardship division becomes important. On the other hand, if no dedicated department exists, it is important to ensure the commitment of investment professionals to stewardship activities, and relatedly how stewardship activities are incorporated into their compensation system. In addition, it is important to clarify who will take the lead and how leadership will be exercised in conducting organized stewardship activities and in coordinating with external parties in collaborative initiatives.
- It has been observed that asset managers introducing in-house platforms and systems which unitarily manage global engagement are focusing on the improvement of effectiveness of engagement through the management of milestones (the progresses of dialogues and companies' responses, which are divided into several steps on the way to the achievement of goals, after setting those goals for each engagement.) Furthermore, in order to enhance the effectiveness of engagement, a growing number of asset managers have established a clear escalation strategy.

  * The parts underlined in Section 1 of Chapter 2, including the above, have been updated this year.

- GPIF's Stewardship Principles and Proxy Voting Principles seem to have been highly recognized to a certain extent among existing asset managers for equities. Going forward, GPIF will also conduct dialogues with newly selected asset managers for equity and fixed income as well.

<Stewardship Activities in Equity Investment: Engagement>

- For domestic equity, engagement by asset managers has been expanding and deepening in response to the Tokyo Stock Exchange's "Action to Implement Management that is Conscious of Cost of Capital and Stock Price." Dialogue themes have not been limited to balance sheet related issues such as reduction of cross-shareholdings, the sales of idle fixed assets, and shareholder returns, but have also extended to a wide range of themes, including business strategies encompassing profitability management by business segment, and related discussions on capital and R&D investment for the growth of business. Also, as the dialogues have progressed, companies' stance on the capital cost and capital allocation as well as their initiatives based on individual themes and disclosure thereof are also advancing.
- All asset managers for domestic and foreign equities have implemented stewardship activities for sustainability issues. Some asset managers are also implementing dialogues concerning sustainability in their engagement with small- and medium-sized companies.
- In establishing topics of engagement with an individual company, many external asset managers implement a form of cooperation in which a person (or a division) in charge of stewardship (or sustainability) identifies issues in line with the sustainability topics, and then, a person (or a division) in charge of investment management identifies issues directly related to corporate value on a bottom-up basis. Also, in implementing engagement, various efforts to enhance internal cooperation have been made to appoint a leader and a person in charge of engagement, depending on the topics.
- We believe that integrated reports and corporate governance reports are both primary tools for two-way communication between companies and investors, particularly for domestic equities, from the perspective of responding to sustainability issues. While we recognize that asset managers have been moving forward with their use of integrated reports, we expect research analysts and fund managers, in addition to specialists in stewardship and sustainability, to make further use of these reports. Going forward, in addition to integrated reports, the disclosure of non-financial information is expected to expand - domestically through disclosures based on the SSBJ Standards in Securities Reports, and globally through disclosure based on the ISSB standards. It will be important to consider how asset managers can effectively utilize such disclosure in investment management and engagement.

- Japanese asset managers and Japan branches of global asset managers are expanding their initiatives to verify the effects of engagement on changes in corporate behavior, corporate value, or investment performance, by working with internal and external academic experts.
- Some asset managers send letters to investee companies as a tool to communicate their views or an opportunity to start dialogues with the management. Continuous monitoring is necessary to see how they develop engagement after sending letters as the starting point.
- In recent years, the overall number of asset managers that participate in global sustainability initiatives has increased, and Japanese asset managers have been actively participating in various initiatives. For example, some asset managers are proactively participating in new initiatives such as Nature Action100, and PRI's Spring and Advance. On the other hand, in the past year, some asset managers have withdrawn from climate-related initiatives. In Japan, the revision of the Stewardship Code is expected to encourage collaborative engagement as a "key option."
- The objectives of asset managers' participation in domestic and global initiatives that implement collaborative engagement may include implementing efficient engagement through collaboration, enhancing the effects of engagement as a mean of escalation, and gaining expertise related to new sustainability themes. GPIF intends to monitor how both domestic and foreign asset managers will engage in and make use of collaborative engagement going forward, taking into account the relevant trends mentioned above.
- Some managers including Japanese asset managers have been promoting reform measures of the entire investment chain through policy engagement by submitting public comments to regulatory authorities, government agencies and standard-setting bodies such as ISSB and SSBJ, as well as proactively engaging with stock exchanges and index providers.

<Stewardship Activities in Equity Investment: Exercise of Voting Rights>

- As GPIF considers voting as a part of overall engagement activities, we expect asset managers to take measures that will contribute to enhancing long-term corporate value. In particular, if fund managers and research analysts implement engagement, it is ideal that asset managers develop an appropriate collaboration or a system within their organizations so that the outcome of engagement will be taken into account in determination of their voting. Also, GPIF positively assess asset managers, depending on the case, when they exercise their voting rights in a way that is not necessarily pursuant to voting policies but in line with investee companies' initiatives or actual situations, following the engagement.

- Some asset managers send strong messages in voting policies and utilize them for engagement. Especially some asset managers for domestic equities, have introduced standards based on cross-shareholdings, TSR, and PBR, while others have upgraded their standards that are based on ROE and other profitability metrics.
- In general, the disclosure of voting guidelines and voting results by Japanese asset managers tends to be more thorough. In the results of exercising individual voting rights by asset managers for domestic equities, while there were differences in timing, frequency, and items of disclosure, many asset managers made quarterly disclosures so that the announced results would be of help in the dialogue after the general meeting of shareholders. However, for some asset managers, their announcement seemed to be inappropriate for dialogues with companies in next year's general meeting of shareholders.
- When some asset managers for domestic equities ask their investee companies to increase independent directors as well as diversity, they allow a grace period of nearly a year from the announcement of the change in voting policy before taking effect, during which they inform their investee companies of the change and implement engagement.
- In a case where external asset managers for domestic equities oppose an investee company's proposal, all of them disclose the reasons for such decision. While responses to shareholder proposals vary, they disclose either the reasons for approval or disapproval, or reasons for both are disclosed. Some asset managers implement their own ideas by flagging the investee companies in which potential conflicts of interest are likely to take place, such as the business partners of the companies within the groups that the asset managers belong to, or by providing more detailed explanations than usual. Other asset managers disclose the reference on their stewardship and exercise of voting rights.
- <u>In particular, we conducted interviews with asset managers for domestic equities regarding their engagement and proxy voting toward companies involved in misconduct. The asset managers carefully review companies' measures to prevent the recurrence of misconduct, top management's commitment to those measures, and their implementation status, after confirming the materiality of misconduct that had occurred (whether administrative disposition has been imposed, impact of misconduct on profits, and organizational involvement, etc.), and then determine whether to vote for or against by taking into account their consistency with the accountability for the occurrence of misconduct. Consequently, there is a variance in the voting results for the same proposal.</u>
- Some external asset managers for foreign equities disclose the results of the exercise of voting rights. Meanwhile some active foreign asset managers for equities provided direct feedback on voting results from the person in charge to their investee companies and sent documents to inform the results and reasons for opposing an investee company's proposal. Also, some asset managers for foreign equity published their approval or disapproval of the voting decision in advance as part of their engagement escalation strategy.

- Both asset managers for domestic and foreign equities use proxy advisory firms. The majority of them use these firms to collect information; outsource administrative services concerning the exercise of voting rights; and manage conflicts of interest in exercising voting rights for their own company, parent company, and the Group companies. Only a small number of cases used the recommendations of advisory firms for the exercise of voting rights of the investees other than those requiring management of conflicts of interest. Even when using proxy advisory firms, for those subject to engagement activities, GPIF requires asset managers to make the final decisions by themselves, taking into account the status of engagement and the contents of proposals. GPIF uses the result of the recommendations provided by ISS and Glass Lewis for analysis after AGMs.
- Regarding voting instruction errors, administrative errors made by custodians, and unexercised votes, GPIF has asked asset managers and custodians to take appropriate measures, considering the importance of exercising voting rights.

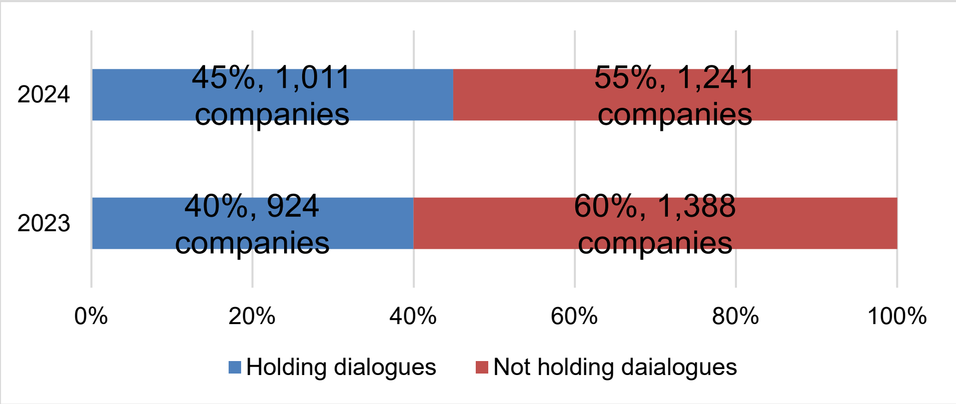
<External Asset Managers' Governance Structures & Management of Conflicts of Interest with Their Parent Companies>

- The external asset managers' governance and management of conflicts of interest are formally well-organized in general. GPIF expects asset managers to improve the transparency, in addition to conducting continuous consideration, reviews and improvement to increase the effectiveness of management of conflicts of interest.
- In the past few years, at Japanese asset managers for equities, organizational segregation aimed at preventing conflicts of interest between the asset management divisions and other divisions has been promoted, including by way of company split or integration of the asset management divisions to separate entities. At all Japanese asset managers, the formalistic aspect is well-organized with the appointment of outside directors and the establishment of a third-party committee consisting mainly of outside directors. Some asset managers have appointed senior executives and officers from outside of the company.
- While the number foreign asset managers that are independent is high in comparison to Japanese asset managers, we observed that some foreign asset managers have no organizational segregation between the investment division and other divisions or difficult to see tangible scheme secured from an external perspective to prevent conflicts of interest. Some asset managers, however, seek to enhance management on the assumption that conflicts of interest would occur in a wide range of entities, including all discretionary investment customers and their parent companies.
- The compensation schemes for executives and employees of asset managers ultimately reflect their position within the Group, the relationship with a parent company, and their corporate culture. It suggests the importance of the incentive system such as the compensation scheme.
- While it is confirmed that management of conflicts of interest in voting and voting guidelines are formally well organized in many of the asset managers, the definition of the companies subject to management of conflict of interest varies greatly depending on the asset manager. Recently, given an increase in the number of shareholder proposals to asset managers and their parent company, there are some cases in which the current rules for decision processes for shareholder proposals are unable to function to the fullest. While some asset managers have already changed their decision processes, GPIF will continue to ask other asset managers to take appropriate measures to improve this area.

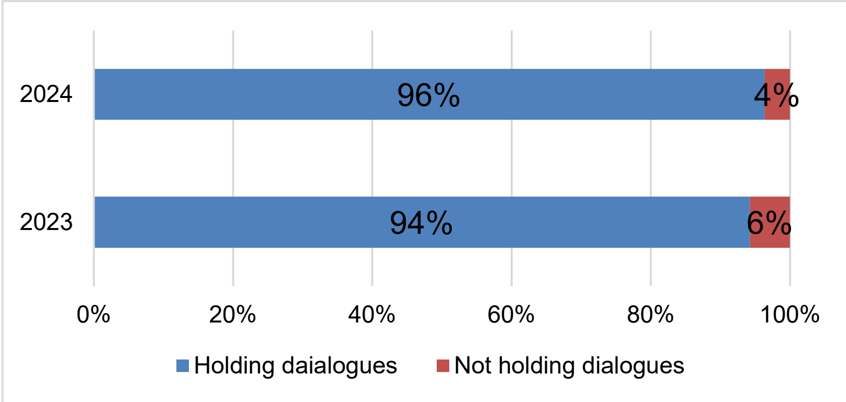
2. Status of Engagement by External Asset Managers Entrusted with Japanese Equities (January 2024 to December 2024)

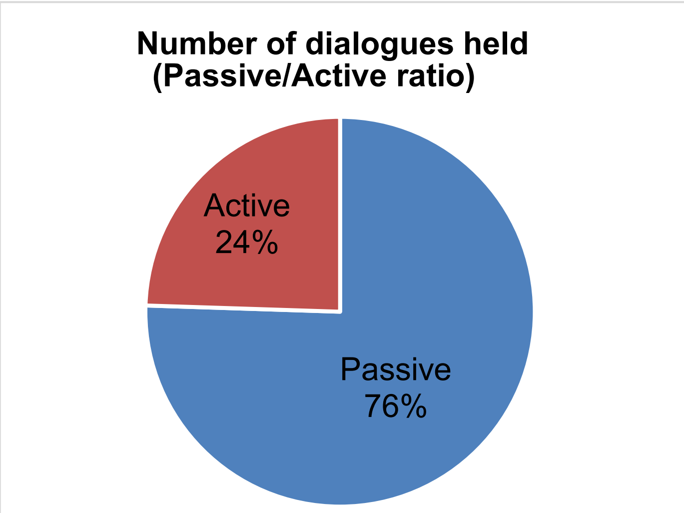
(1) Overview of status of engagement

Ratio of companies that held dialogues (based on the number of companies)



Ratio of companies that held dialogues (on market capitalization basis)





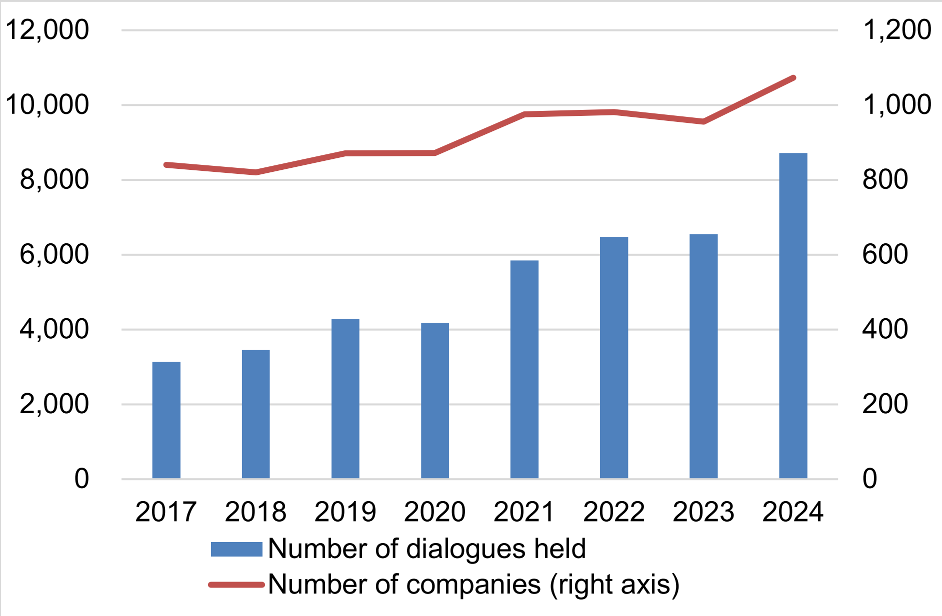
The total number of companies with which engagement was conducted (dialogues were held) by GPIF's external asset managers for domestic equities from January 2024 to December 2024 was 1,011.

In terms of the number of companies, engagement was conducted with 45% of the companies whose shares are held. In terms of market capitalization, engagement was conducted with 96% of the companies. The ratio based on the number of companies increased by 5%.

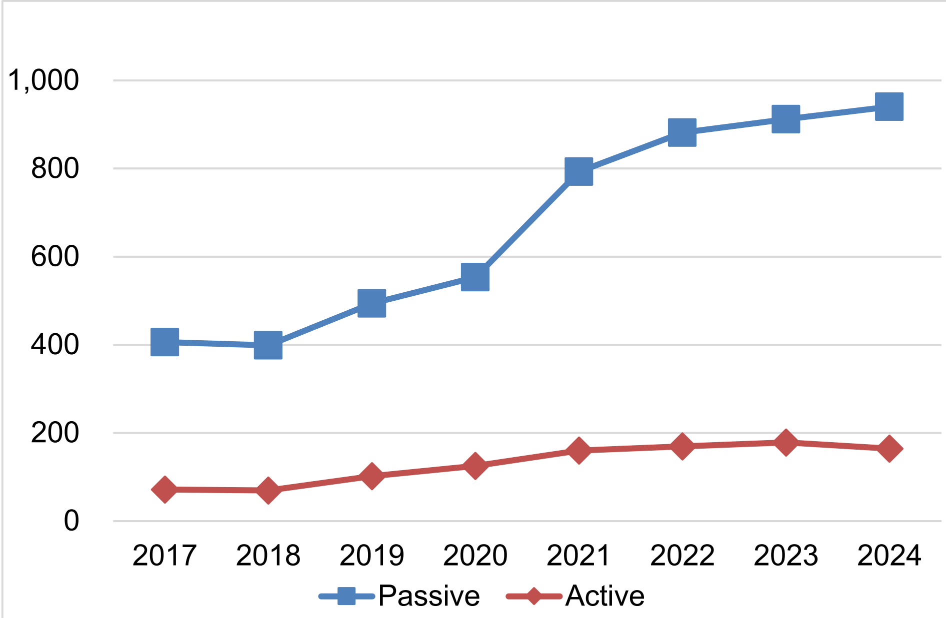
Engagement (dialogues held) by asset managers for passive investment accounted for 76%. When an asset manager is entrusted with both active and passive investments, the passive/active ratio is counted as the one with larger amount of mandate entrusted by GPIF.

Note: The ratios of companies that held dialogues for 2024, based on the number of companies and on market capitalization basis, are based respectively on the number of domestic equity holdings and their market capitalization as of the end of March 2024, as the denominators.

Trend of number of dialogues and companies



Number of dialogues per asset manager



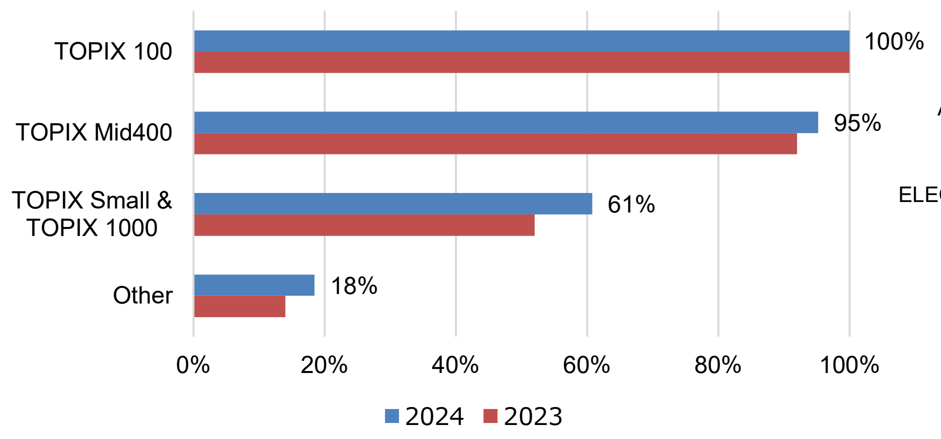
The chart on the left represents the trend in the number of dialogues held from January to December every year in the past eight years.

While a temporary drop in the number of dialogues was recorded in 2020, in which the COVID-19 pandemic first broke out, the number of engagements increased compared with the past years. The number of dialogues increased considerably during the past year due to increase in the number of asset managers as well as significant increase in the number of dialogues held by some asset managers.

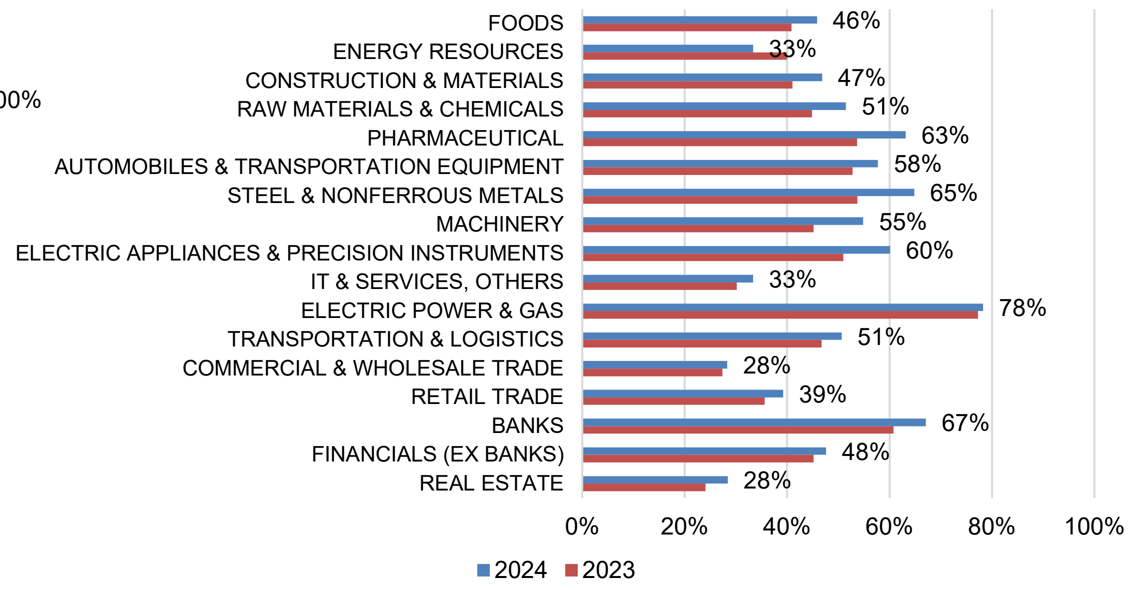
The chart on the right represents the number of dialogues per asset manager. The number of dialogues held by passive managers has increased significantly since 2021, and the annual average for 2 years (2023 and 2024) exceeded 900. The average number of dialogues held by active managers on an annual basis has been a little less than 200 for the past four years or so.

GPIF does not highly evaluate asset managers on the number of engagements only, in order to avoid an increase in perfunctory interviews. This chart is subject to fluctuations due to changes in asset managers.

Ratio of dialogues held (by company scale)



Ratio of dialogues held (by industry)



Note: The company scales represent those as of March 31, 2024.
J-REIT is excluded. Industries are based on the TOPIX-17 series.

Left chart: Ratio of implementation of engagement (dialogues held) by GPIF's external asset managers for domestic equities from January 2024 to December 2024, by company scale. Engagement was implemented with 477 companies (96%) on a TOPIX 500 basis.
Right chart: Looking by industry, the ratio of dialogues with companies in the electric power & gas sector remained the highest as in the previous year. On a year-on-year basis, the rates of increase in the ratios of dialogues held in pharmaceuticals, steel & nonferrous metals, and electric appliances & precision instruments sectors were higher than those of other sectors.

This chart is also subject to fluctuations due to changes in asset managers.

(2) Engagement to implement management that is conscious of cost of capital and stock price

- In connection to the request made by the Tokyo Stock Exchange (“TSE”) “Action to Implement Management that is Conscious of Cost of Capital and Stock Price," GPIF conducted written interviews with its external asset managers for domestic equities regarding their engagement, including new initiatives implemented as part of their stewardship activities.
- We found that all external asset managers implement engagement for themes related to the TSE’s request, and many of them have strengthened their activities for the themes after the request was made.
- In engagement activities, asset managers had dialogues on the appropriateness of disclosure made by companies following the TSE’s request, as well as their business portfolio and capital policy, and they tend to be accelerating engagement for those themes.
- In terms of the exercise of voting rights, asset managers took measures such as raising the ROE standards used in decision on voting proposals, and having stricter cross-shareholdings standards. Some asset managers are also planning to revise their standards after 2025.
- Other asset managers implement dialogues with small companies by utilizing collaborative engagement, or make approaches to the entire market, such as exchanging opinions with the TSE.
- GPIF will implement initiatives to promote engagement aimed at increasing corporate value, by conducting interviews with asset managers on the details of their initiatives and collecting best practice cases, and through other measures.

[Response of domestic asset managers to the Tokyo Stock Exchange's request to take "Action to Implement Management that is Conscious of Cost of Capital and Stock Price"]

	Implementation of relevant engagement
Number of GPIF’s asset managers entrusted with domestic equity investment that implemented engagement related to the request by TSE / Total number of GPIF’s asset managers entrusted with domestic equity investment (Ratio)	100%

	Changes after the request by TSE		
	Engagement	Exercise of Voting Rights	Dialogues, etc. with market participants
Number of GPIF’s asset managers entrusted with domestic equity investment that made changes after the request by TSE / Total number of GPIF’s asset managers entrusted with domestic equity investment (Ratio)	70%	25%	20%

3. Passive Investment Models Focused on Stewardship Activities: Engagement-enhanced Passive

(1) Overview and points for selection of passive investment models focusing on stewardship activities

- Considering that GPIF invests in a wide range of listed companies by way of passive investment which accounts for approximately 90% of GPIF's equity investment, the long-term growth of the overall market is essential for the improvement of investment return. For passive investment, we believe that efforts for engagement activities are critical to encourage investee companies to achieve a long-term increase in corporate value and, in particular, to promote sustainable growth of entire markets.
- Therefore, with the aims of achieving sustainable growth of the overall market through stewardship activities, as well as diversifying and enhancing the approach methods of stewardship activities, GPIF started to adopt passive investment models focusing on stewardship activities in 2018.
- In selecting the model, we review the investment process, stewardship policies, and the business model, which integrates organizational systems and fee levels.
- In 2018, we adopted two managers as engagement-enhanced passive managers: Asset Management One and FIL Investments (Japan). In FY2021, following new applications from several asset managers, we newly adopted Sumitomo Mitsui Trust Asset Management Co., Ltd., and Resona Asset Management Co., Ltd.
- Over the past year, there has been more engagement for important themes concerning the core of corporate management.

Key points for selection

<Setting of appropriate KPIs>

- ✓ **Medium- to long-term goals for engagement activities**
- ✓ **Annual plan for the achievement (Milestone)**

<Engagement system and method>

- ✓ **Organizations and persons in charge of stewardship activities**
- ✓ **Methods of engagement**

→

Evaluation method

For evaluation going forward for medium- to long-term engagement goals, the status of achievement of the KPI as indicated on the left and milestone for the following fiscal year will be evaluated. GPIF will renew the contract based on this result.

(2) Progress at asset managers: (i) Asset Management One

<Companies subject to engagement activities and management of milestones>

- The investee companies' issues with ESG were identified for the increase in sustainable corporate value and sustainable market growth, as the common issues in the market. Establish 18 ESG issues, and clarify the direction of engagement by showing the Issues (locating problems), Goals (outcomes to be realized) and Action (company's initiatives) Implement engagement based on each issue at target companies. Merged the research and engagement functions in April 2024 to bring together the expertise of sector analysts and ESG analysts.
- In the approaches to ESG, there are mainly two perspectives of "Return" and "Risk." The "Risk Perspective" is fundamental, and more emphasis on the "Return Perspective." The improvement of corporate value is sought by enhancing the initiatives for ESG issues.
- Establish 8-level milestones, and periodically report to GPIF on the progress of engagement from the establishment of issues to their solutions.

18 ESG Issues

Planet (Environment)	Pl1	Climate change
	Pl2	Biodiversity
	Pl3	Water resources
	Pl4	Circular economy
	Pl5	Air, water and soil pollution
	Pl6	Sustainable food system
People (Society)	Pe1	Diversity & Inclusion
	Pe2	Business and human rights
	Pe3	Health and wellbeing
Governance & Disclosure	GD1	Board governance & accountability
	GD2	Capital efficiency
	GD3	Takeover defense measures
	GD4	Risk management
	GD5	Sustainability management
	GD6	Supply chain management
	GD7	Business ethics
Our Community	OC1	Regional revitalisation
	OC2	Digital transformation

8 Milestones

1. Identifying ESG issues: ESG analyst identifies and sets out key ESG issues relevant to the company
2. Raising concerns/suggestions: ESG analyst raises concerns or suggestions to the company
3. Issues recognized: The company recognizes the ESG issues raised by ESG analyst
4. Issues recognized (Senior management): The ESG issues recognized by senior management of the company
5. Initiatives taken: The company has taken initial steps to improve/tackle the issues
6. Plans formulated: The company has established a concrete plan for solving the issues
7. Plans implemented: The company has implemented the plan set out for solutions
8. Completing engagement: Effective actions and positive outcome assessed/confirmed by ESG analyst

AM One's Stewardship Roadmap 2030 for Japanese Equity

Expectations for Japanese investee companies in the medium to long term

Asset Management One

1 — For the next two years

Acceleration of 'Management with an awareness of capital costs and stock prices'

1. Establishment of Nomination & Remuneration Committee as a basis for an effective governance structure
2. Explicitly linking non-financial materiality to corporate value creation in corporate disclosures
3. Management for capital efficiency: disclosure and execution of strategic plan

Additionally, we seek constructive dialogue with Board directors and independent external directors on material strategic and ESG issues.

2 — ~ 2027

Evolving towards more effective corporate governance and information disclosure

1. Elevate board diversity: two or more, or a minimum of 20% female board directors
2. Enhancing sustainability disclosures connecting to corporate value: climate change, nature and biodiversity, human rights and human capital
3. Further progress in 'Management with an awareness of capital costs and stock prices'

3 — ~ 2030

Establishment of world-class corporate governance

1. Effective board with highly independent and diverse members: independent external majority, 30% female directors
2. Integrating financial and non-financial materiality into skill matrix and the remuneration of independent directors
3. Achieving ROE above cost of capital.

AM One's expectations regarding:
1. Governance 2. Sustainability 3. Corporate value creation

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年金積立金管理運用独立行政法人
Government Pension Investment Fund

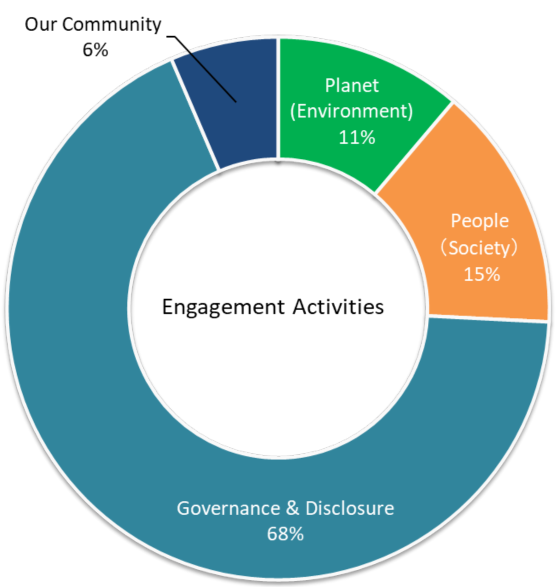
<Progress>

- The number of issues subject to the management of milestones up to the third quarter of FY2024 was 495. The largest number among the ESG issues was in "Governance and Disclosure," which further increased from the previous year. The topics of dialogues included the board of directors, corporate governance, sustainability management, capital efficiency and supply chain management. In addition, the asset manager started "core engagement," through which it aims to contribute to the enhancement of corporate value by integrating the expertise of its sector analysts and ESG analysts and engaging with the top management of companies from both the financial and non-financial perspectives.

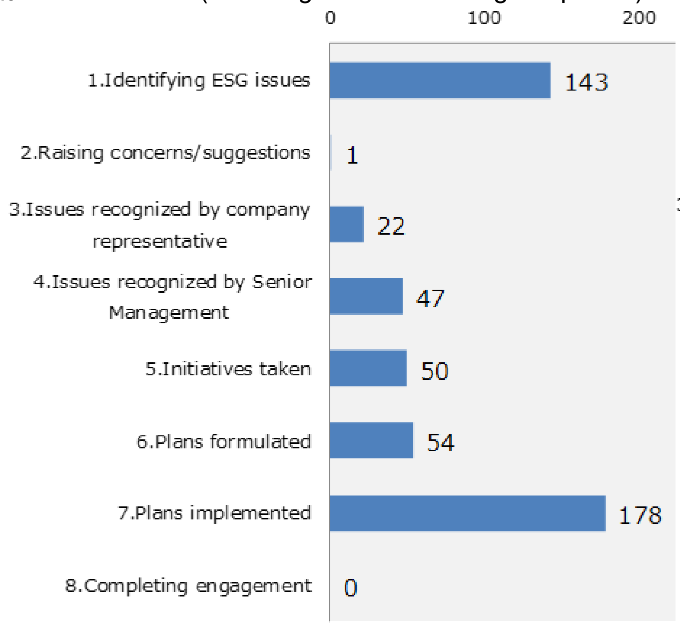
- Up to the third quarter of FY2024, 58% of the engagement projects were observed to be on schedule or ahead of schedule in their progress. By milestone, "1. Identifying ESG issues" decreased significantly, whereas "8. Completing engagement", increased. Up to the third quarter of FY2024, 55 projects were completed mainly in sustainability management, DE&I (Diversity, Equity and Inclusion).

✓ We recognize that the asset manager effectively combines its engagement activities described above with disclosure of information to investee companies as a whole, for example by releasing a roadmap for stewardship activities from the medium- to long-term perspectives.

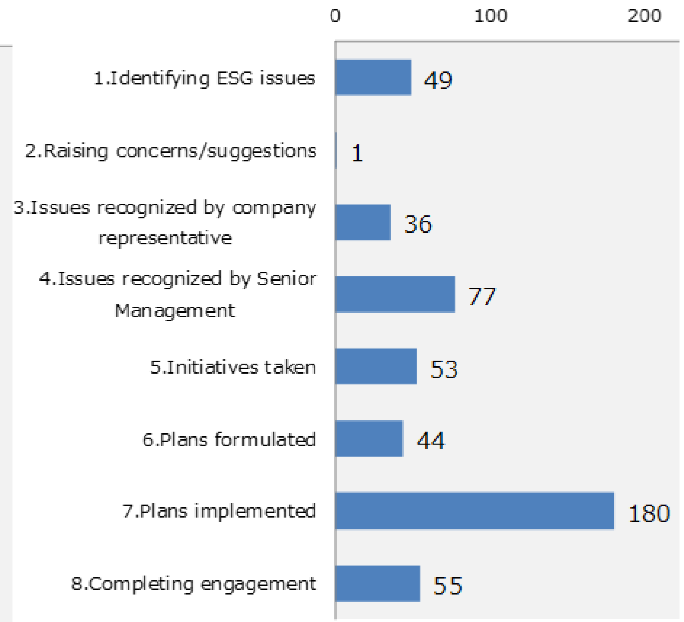
Composition of ESG issues for engagement



Milestones at the beginning of April 2024
(including additions during the period)



Milestones at the end of December 2024

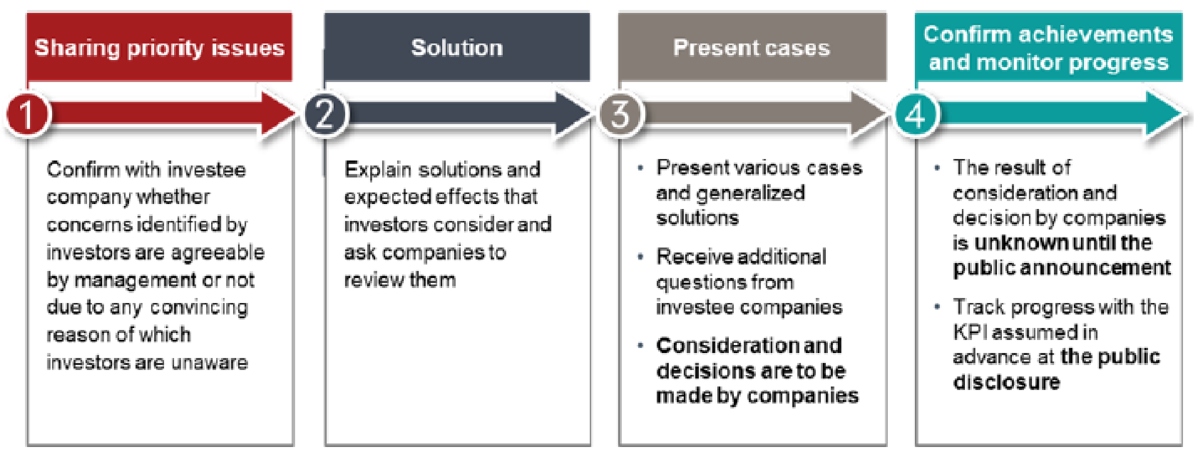


(2) Progress at asset managers: (ii) FIL Investments (Japan)

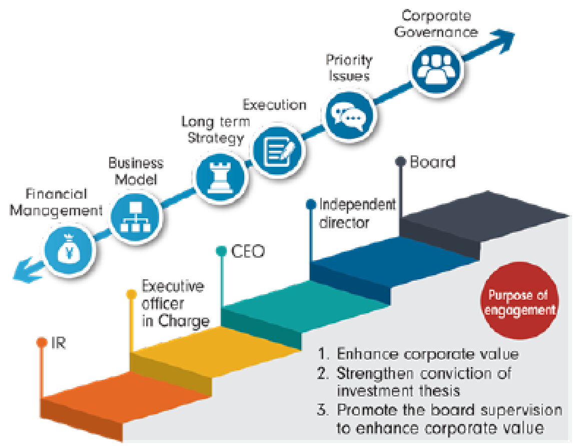
<Companies subject to engagement activities and management of milestones>

- With the expertise of analysts of active investment, FIL Investments (Japan) aims to efficiently increase β by encouraging large-cap companies to reform their mindset. In order to improve corporate value, the asset manager identifies the agenda of engagement and engage with companies, by which profitability and growth capability will be improved caused by strengthening competitiveness.
- Specifically, FIL Investments (Japan) narrows the subject companies for engagement by such conditions as 1) market capitalization of one trillion yen or more, and 2) corporate value that is expected to improve by 50% or more, to implement engagement with large caps which are likely to have significant impacts on market capitalization.
- The progress is managed using three indicators of input, output and outcome*, and is periodically reported to GPIF.
- FIL Investments (Japan) also verified the effects of engagement through an external organization from an academic standpoint.

Four Steps of Engagement



Engagement Counterpart



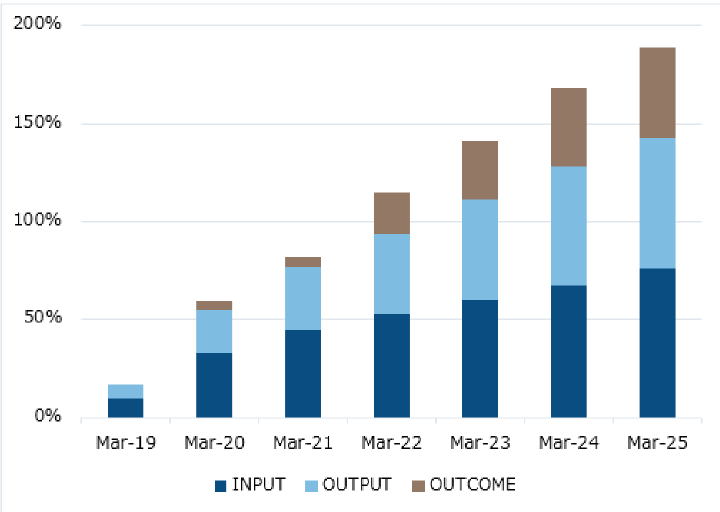
Source: *Four Steps of Engagement* and *Engagement Counterpart* from Fidelity's Report on Investment Trusts.

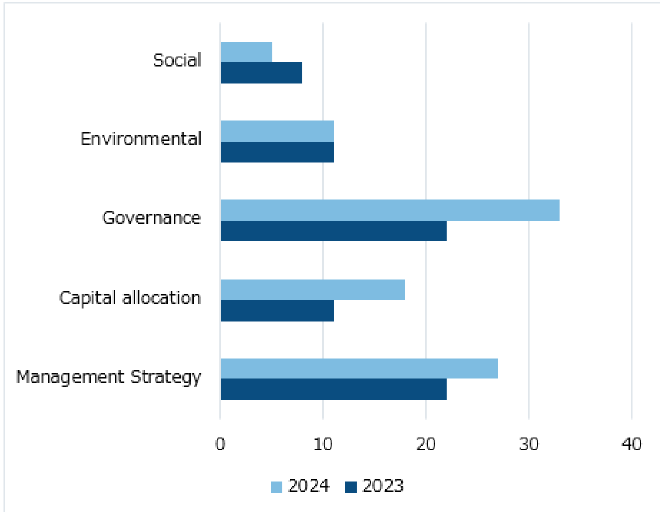
<Progress>

- FIL Investments (Japan) established three indicators of input, output and outcome* in order to manage the progress of the engagement activities in engagement-enhanced passive investment, granting points to each indicator according to the degrees of progress. While agenda and timeline vary depending on the subject company, the asset manager has started its efforts to share the issues with all subject companies, and shared the awareness of the issues with senior management of approximately 80% of those companies. The total output, which indicates actions taken by companies that had dialogues with the asset manager, reached almost 70% of the plan for all subject companies, and it has been confirmed that many of the companies have implemented initiatives to increase their corporate value. Similarly, the total outcome has also reached close to 50% of the plan, indicating that changes in corporate behavior are starting to be steadily recognized by the market.
- In terms of the topics of dialogues, topics related to medium-to long-term management strategy and capital allocation, such as review of business portfolio and ideal capital allocation, increased compared to 2023. In addition, dialogues on internal control (governance) also increased with the recent increase of scandals by major companies.

✓ We recognize that, although the number of companies subject to engagement is small, many of them are changing their behavior specifically related to the topics of engagement.

*Input: Sharing of awareness of issues based on evidence toward the improvement of corporate value, and requests for consideration concerning measures proposed by investors to solve such issues.
Output: Corporate activities, achievements
Outcome: Stock price performance, its components such as financial performance and the perception by the stock market (valuation, sell-side rating, etc.), and corporate activities strongly related to them.



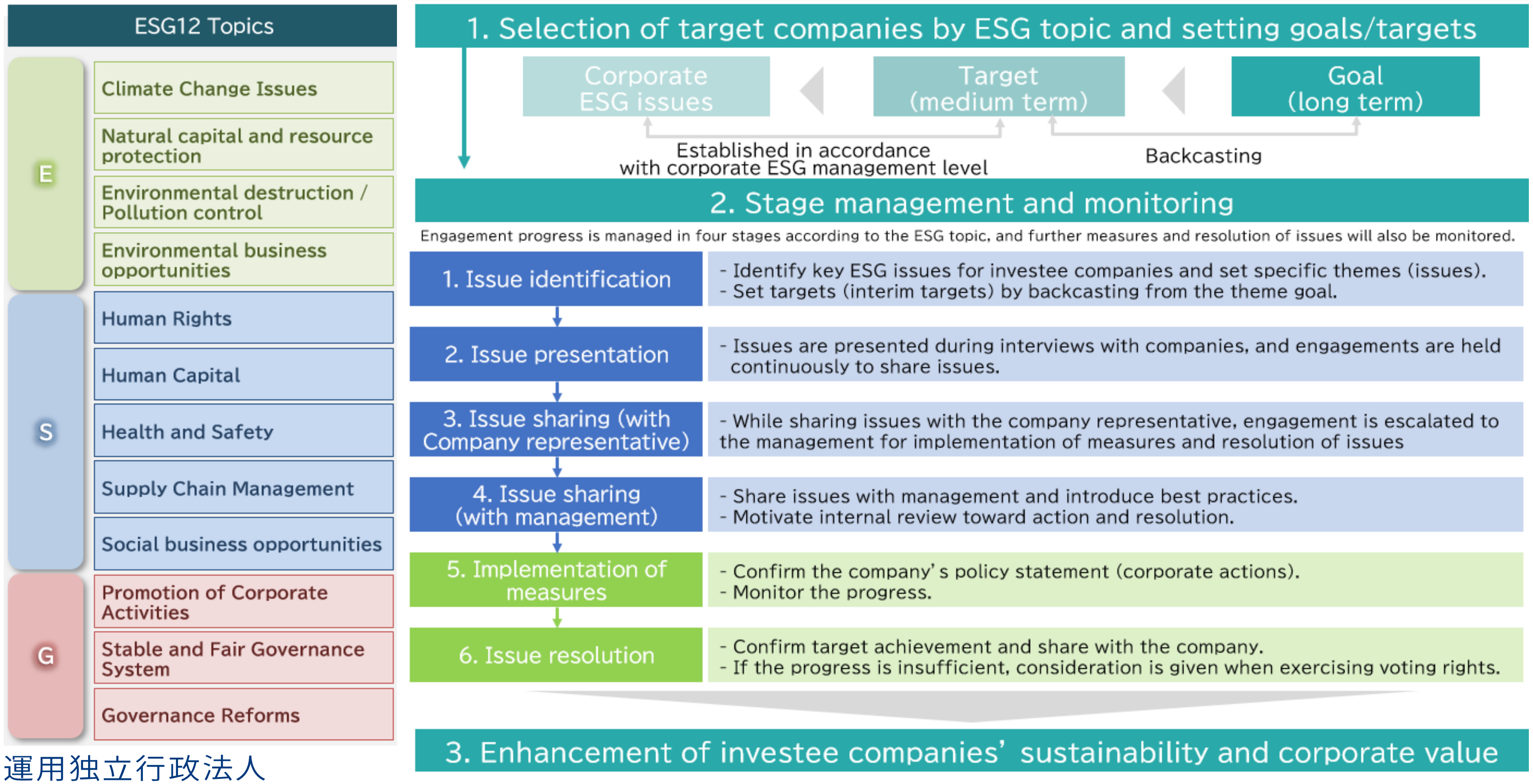


Each input, output and outcome represent the total rate of progress against the planned value of the entire mandate. (The maximum rate is 300%.)

(2) Progress at asset managers: (iii) Sumitomo Mitsui Trust Asset Management

<Companies subject to engagement activities and management of milestones>

- In addition to engagement with investee companies, activities through various initiatives are carried out and engagement is implemented targeting a wide range of stakeholders, including market participants, in order to increase the probability of achieving such targets, thereby promoting solutions to companies' issues and increasing corporate value.
- Engagement is promoted through the commitment from the top management (the Chairperson and President) by themselves, such as messaging actively by speaking at overseas conferences and elsewhere. Issues which are set for the "ESG 12 topics" were selected based on ESG materiality are classified from the viewpoint of risks and opportunities. Targets (medium-term goals) for each investee company are set by backcasting from the goals (long-term goals) for a specific ESG topic, and engagement is implemented with the aim of achieving the targets.
- By setting milestones in six stages, the progress in engagement activities from issue setting to the resolution of issues is reported to GPIF periodically.

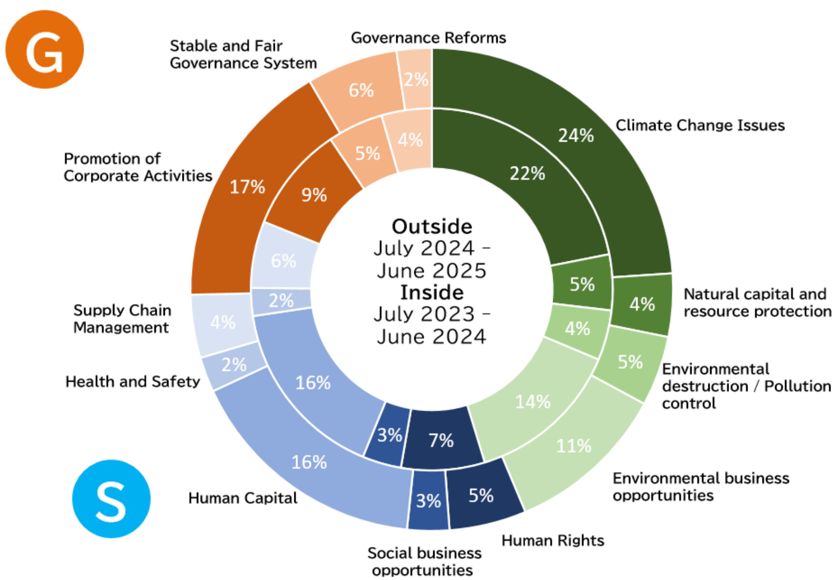


<Progress>

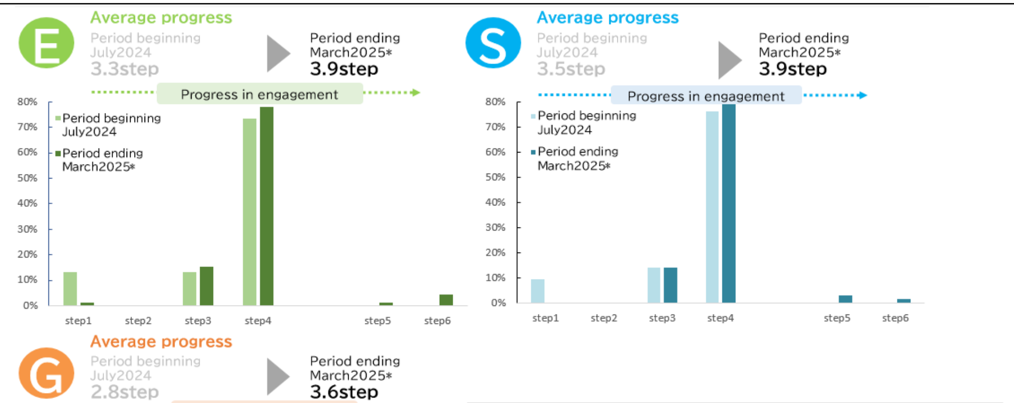
- Many companies advanced to Step 4 (Sharing the awareness of issues with the management team) in all ESG topics. In the G (governance) area, in FY2024, dialogues on the measures to improve companies' PBR driven by reforms to the TSE in addition to reducing cross-holding shares, and conducted dialogues with not only companies but also relevant organizations such as competent authorities.
- In terms of "cross shareholdings," the asset manager works with companies by considering engagement in combination with the exercise of voting rights. Through dialogues on the reduction of cross-shareholdings, some companies implemented changes where companies' understanding has enhanced and their cross-shareholdings have been steadily reduced. On the other hand, regarding the issue arising from some companies only implementing perfunctory measures, such as how to ensure the transparency of "pure investment (net investment)" category for disclosing shares held, the asset manager had dialogues with relevant parties other than investee companies.

✓ We recognize that the asset manager has put into practice a multi-engagement model with an aim to gain "direct effects" (including "ripple effects" of actions taken by symbolic companies) achieved through dialogues with companies described above, as well as "indirect effects" achieved through dialogues with parties other than investee companies.

Composition by top-down type engagement topic



Progress for FY2024 (July 2024 to March 2025)



STEP1: Issue identification
STEP2: Issue presentation
STEP3: Issue sharing (with Company representative)
STEP4: Issue sharing (with management)
STEP5: Implementation of measures
STEP6: Issue resolution

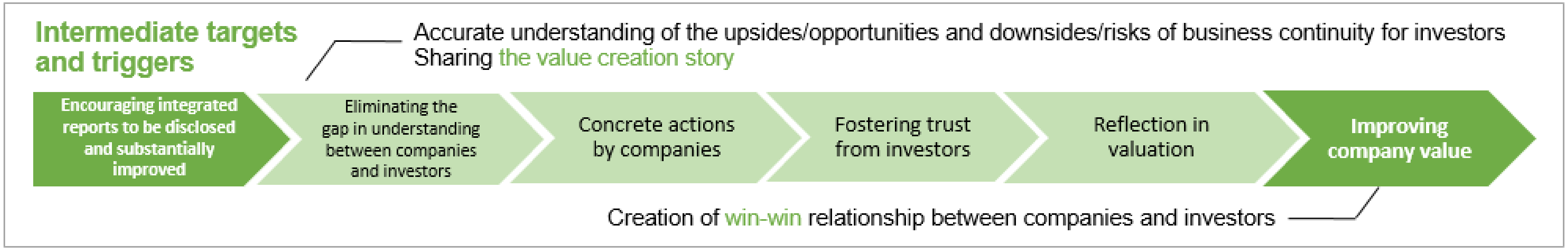
*The figures for March 2025 are preliminary.

(2) Progress at asset managers: (iv) Resona Asset Management

<Companies subject to engagement activities and management of milestones>

- Engagement starts with an analysis of the current status of the integrated report. In the analysis of integrated reports using in-house AI technology, the focus points of integrated reports are set as evaluation items and scored in order to identify issues.
- Engagement managers provide feedback on AI evaluation scores, hold a dialogue on the value creation story of the target company, and work to improve the corporate value by encouraging the disclosure of non-financial information (integrated reports) while setting qualitative improvement as interim targets and triggers.
- Milestones in improving corporate value are set for each target company, and both the progress of engagement activities from issue setting to issue solving and changes to the above-mentioned AI assessment score over time are regularly reported to GPIF.

Path for improving company value

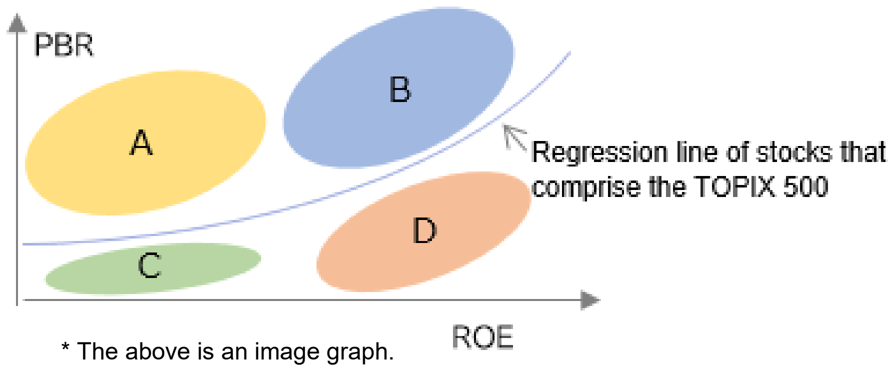


Priority themes will be determined based on ROE and PBR positioning.

A. Implement the value creation story
B. Pursue best practices
C. Reconstruct the value creation story
D. Clarify the value creation story

For example, during engagement with a company that has a relatively high PBR but a low ROE, we will focus on theme A.

■ ROE, PBR, and priority engagement themes



* The above is an image graph.

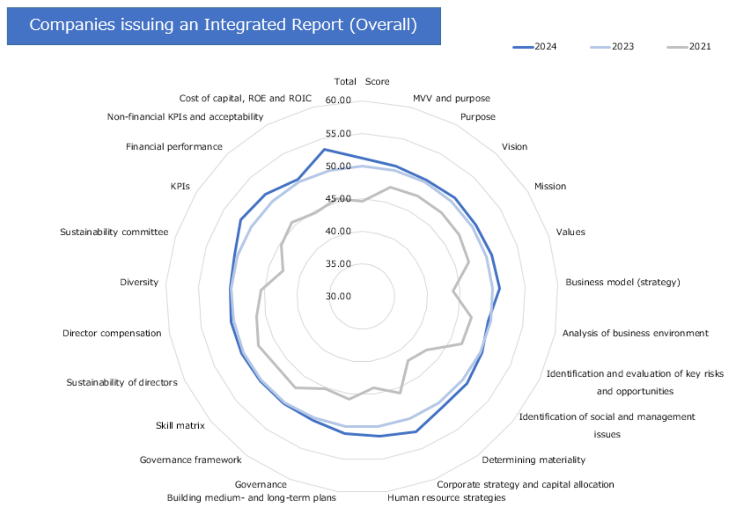
<Progress>

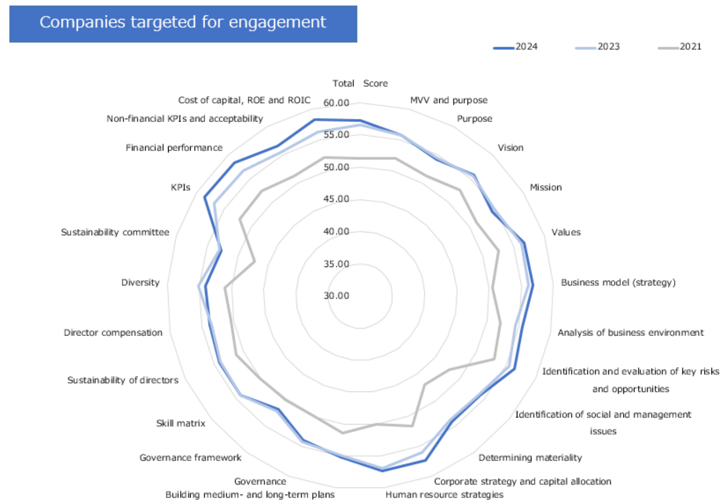
- Since FY2022, the scope of AI analysis has been expanded to include the Securities Report in addition to the Integrated Report, and thereby TCFD-based disclosure and human resources strategies have been quantified and scored. Since March 2023, companies have been selected whose corporate value might be significantly affected by the climate change issue and other companies from among the types of business which are highly important in terms of TCFD-based disclosure, and have also begun engagement related to TCFD. When engaging with a company, a document containing comments of the engagement manager attached to the quantified score was provided for an exchange of opinions.

- Regarding the integrated reports of companies targeted for engagement, the improvement (in quality) of the content has advanced as a whole (meaning that the average value of the subject companies' AI scores has risen), as shown in the charts below.

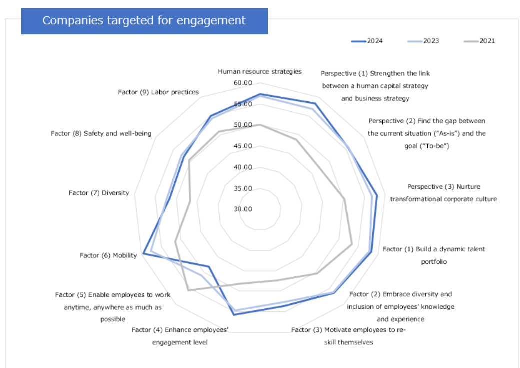
✓ We recognize that the asset manager is implementing initiatives, which are differentiated from its peers, to help companies understand their issues in an easy-to-understand manner through its unique approach using AI and its system to provide feedback on AI evaluation scores to companies.

Integrated Report AI Score of the Company Subject to Engagement (Overall)





Integrated Report AI Score of the Company Subject to Engagement (Human resources strategy)



* The calculation of AI score is outlined in the paper "Method of calculating the disclosure score of climate change risks in the Securities Report" presented at the 2021 (the 56th) winter session of the Japanese Association of Financial Econometrics and Engineering (JAFEE).
(Note 1) The AI scores of integrated reports calculated by Resona Asset Management based on the text information of corporate websites and EDINET.
(Note 2) Time frame: 2021 (first year of the mandate): Companies with a fiscal year from April 2020 to March 2021; 2023: Companies with a fiscal year from April 2022 to March 2023; 2024: Companies with a fiscal year from April 2023 to March 2024
(Note 3) Companies targeted for engagement: 72 companies that are comparable on a calendar year basis, among a group of companies (approximately 100 companies) which the asset manager has conducted engagement with since the beginning of the mandate.

GPIF

4. Material ESG Issues

As mentioned in page 16 and 17, GPIF conducts a questionnaire survey every year concerning material ESG issues selected by each external asset manager entrusted with equity investment or fixed-income investment. The number of asset managers subject to the FY2024 survey was as follows:

Domestic equities: 20
Foreign equities: 31
Domestic fixed-income: 12
Foreign fixed-income: 15

The percentage shown in the chart on the right represents the ratio of the number of managers which selected each ESG issue as a material ESG issue, with the total number of asset managers for each mandate as a denominator.

・When an asset manager is entrusted with both active and passive investments, the passive/active ratio is counted as the one with larger amount of mandate entrusted by GPIF.

・GPIF also confirmed material ESG issues considered from the viewpoint of corporate bond investors.

ESG issues	Domestic Equity Passive	Domestic Equity Active	Foreign Equity Passive	Foreign Equity Active	Domestic Bomds	Foreign Bonds
Climate Change	100%	100%	100%	85%	100%	87%
Deforestation	71%	15%	100%	22%	42%	40%
Water Stress, Water Security	57%	23%	100%	30%	50%	27%
Biodiversity	100%	77%	100%	52%	83%	27%
Pollution & Resources	43%	15%	75%	19%	33%	47%
Waste Management	57%	23%	75%	15%	42%	40%
Environmental Opportunities	71%	31%	50%	7%	50%	20%
Others (Environment)	29%	23%	25%	15%	17%	20%
Human Rights & Community	100%	62%	100%	48%	83%	47%
Product Liability	57%	23%	25%	30%	42%	33%
Health & Safety	57%	23%	75%	37%	42%	47%
Labor Standards	57%	46%	50%	48%	58%	47%
Controversial Sourcing	29%	8%	25%	7%	8%	13%
Social Opportunities	43%	15%	25%	7%	33%	20%
Others (Social)	29%	38%	50%	33%	33%	33%
Human Capital Development	57%	31%	25%	26%	50%	27%
Privacy & Data Security	57%	23%	50%	33%	33%	47%
Board Structure, Self-evaluation	86%	69%	75%	59%	75%	40%
Risk Management	57%	23%	50%	19%	33%	27%
Capital Efficiency	86%	85%	75%	22%	33%	20%
Minority Shareholder Rights	86%	69%	50%	19%	33%	13%
Corporate Governance（Transparency & Fairness in decision-making, Remuneration and Succession, etc.)	71%	77%	75%	56%	75%	60%
Anti-Corruption	43%	15%	50%	11%	25%	40%
Tax Transparency	29%	8%	25%	15%	17%	20%
Others (Governance)	57%	23%	75%	11%	25%	40%
Corporate Culture	57%	15%	50%	7%	33%	33%
Supply Chain	100%	31%	75%	33%	67%	40%
Diversity	100%	77%	100%	30%	75%	33%
Disclosure	100%	69%	100%	52%	92%	60%
Misconduct	86%	54%	50%	11%	67%	13%
Others	43%	15%	50%	15%	50%	20%

E (Environmental) S (Social) G (Governance) A multiple themes of ESG

Chapter 3.
Expectations & Challenges for External Asset Managers GPIF's Action Plans Going Forward

Direction and medium-term initiatives of GPIF’s stewardship activities

– On March 31, 2025, GPIF formulated and announced the direction and medium-term initiatives of GPIF’s stewardship activities for the 5th medium-term target period (April 2025 - March 2030). The details are as follows:

1. Basic concept and priority issues of GPIF’s stewardship activities

(1) Basic concept of GPIF’s stewardship activities

- The objective of GPIF’s stewardship activities is to increase long-term investment returns solely for the benefit of its insureds. GPIF promotes stewardship activities with consideration to sustainability such as ESG from the perspective of increasing long-term investment returns.
- GPIF can benefit from enhanced investment returns, if the long-term corporate value increases through engagement by external asset managers, which may also contribute to the sustainable growth of the capital market and overall economy.
- GPIF aims to develop a virtuous cycle in the investment chain by engaging in ongoing dialogue with external stakeholders in addition to its dialogue with external asset managers.

(2) Priority issues for the 5th Medium-term Objectives period

GPIF will promote initiatives with a focus on the “enhancement of long-term corporate value” and “sustainable growth of the capital market and the overall economy.”

1) GPIF will focus on promotion of capital allocation and business strategies that will lead to the sustainable growth of corporate value, from the perspective of increasing long-term investment returns. In global capital markets, company management that is conscious of capital costs is required. In Japan, the dialogue between listed companies and investors regarding capital allocation (including shareholder returns) and information disclosure is progressing, according to the Tokyo Stock Exchange's request for “Action to Implement Management that is Conscious of Cost of Capital and Stock Price.” Going forward, we believe that the focus will shift to discussions directly linked to the future cash flows of companies, such as business strategies, in addition to resolving market valuation discounts through enhanced information disclosure.

2) Opportunities and risks regarding sustainability such as climate change and geopolitical risks vary significantly depending on the theme, region, industry and time period. Going forward, from the perspective of financial materiality[1], GPIF will continue to consider it important that external asset managers encourage investee companies’ pursuit of opportunities, risk reduction (including enhancing resilience), and information disclosure related to sustainability.

3) GPIF will focus on initiatives that promote effective corporate governance as a foundation for companies to enhance their corporate values over the medium-to-long term, while addressing risks and opportunities related to sustainability as well as changes in the business environment.

2. Key initiatives for the future

(1) Engagement with external asset managers

- GPIF will consider its framework of evaluating the quality of stewardship activities conducted by external asset managers in accordance with their investment strategies.
- GPIF will compile and publish best practice cases (successful examples) of effective stewardship activities conducted by external asset managers in accordance with their investment strategies.
- GPIF will improve efficiency of its evaluation process of stewardship activities by building a database of stewardship activities conducted by external asset managers.

(2) Developing a virtuous cycle of the investment chain

- GPIF will actively communicate investor perspectives, such as expectations of external asset managers toward investee companies.
- GPIF will analyze and communicate what stewardship activities that contribute to the enhancement of corporate value, and the sustainable growth of the capital market and the overall economy.
- GPIF will increase opportunities of exchanging opinions with market participants, such as investee companies and other asset owners, and enhance collaboration with them.

In accordance with the “Direction and medium-term initiatives of GPIF’s stewardship activities,” GPIF will continue to conduct stewardship activities, and improve and review its initiatives by implementing the PDCA cycle by itself, such as undertaking measurements of the effects of its activities, while strengthening its structure.

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[1] Financial materiality is a measure of the significance of a specific risk and/or opportunity based on its potential impact on corporate value.

GPIF

Expectations and Challenges for External Asset Managers

- In implementing dialogue with external asset managers described in the “Key initiatives for the future” of the “Direction and medium-term initiatives of GPIF’s stewardship activities”, GPIF will work on **integrating its Stewardship Principles and Proxy Voting Principles in asset managers’ operations at all levels throughout their organizations**.
- Expectations and challenges for external asset managers when conducting the engagement are as follows:

Integration of investment and stewardship activities

- ✓ Collaboration between the investment team and stewardship team
- ✓ Establish and enhance passive investment models focusing on stewardship activities
- ✓ Practice ESG integration tailored to different investment styles

Sophistication of engagement

- ✓ Implement engagement activities concerning new sustainability issues, such as ESG, that contribute to the enhancement of corporate value, taking into account environmental changes
- ✓ Engagement to achieve management that is conscious of cost of capital and stock prices
- ✓ Promote engagement strategy in accordance with the scale and stages of investee companies (<u>including milestone management and escalation strategy</u>)
- ✓ <u>Maintenance of engagement data and verification of the effects of engagement activities</u>
- ✓ Integrate sustainability issues, such as ESG, and engagement to proxy voting
- ✓ Stewardship responsibilities in fixed-income investment.

Messages to investee companies and disclosure as investors

- ✓ Implement stewardship activities in line with messages to investee companies (consistency of speech and action)
- ✓ Improve the quality of disclosure
  - ➢ Disclosure of voting principles and the result of exercise of voting rights
  - ➢ Disclosure in accordance with global standards such as the TCFD recommendation
  - ➢ Disclosure of asset managers’ policies and approaches, including initiatives for sustainability issues(materiality), such as critical ESG

Status of Exercise of Shareholders' Voting Rights (April 2024 to June 2024)

1. Domestic Equities

(1) Exercise of voting rights by external asset managers: All external asset managers (54 funds) exercised their voting rights.

(2) Exercise of voting rights by type of proposal

Proposals		Proposals pertaining to company organization					Proposals pertaining to Director remuneration, etc.				Proposals pertaining to capital policy(excluding items pertaining to changes to theArticles of Incorporation)			Proposals pertaining to changes to the Articles of Incorporation	Poison pill (Rights plan)		Other Proposals	Total
		Appointment of Directors	Of which Appointment of Outside Directors	Appointment of Statutory Auditors	Of which Appointment of Outside Statutory	Appointment of Accounting Auditors	Director Compensation	Director bonuses	Director retirement bonuses	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, transfer of business, company split, etc.		Warning type	Trust type		
Total number of voting rights exercised		151,274	66,229	15,298	10,405	235	5,762	867	444	355	11,548	129	184	5,750	291	0	210	192,347
Management proposals	Total	150,422	65,776	15,282	10,389	235	5,638	867	444	355	11,277	0	184	3,087	291	0	153	188,235
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	133,155	58,705	13,866	9,049	233	5,377	782	37	315	10,895	0	182	3,009	16	0	112	167,979
		(88.5%)	(89.2%)	(90.7%)	(87.1%)	(99.1%)	(95.4%)	(90.2%)	(8.3%)	(88.7%)	(96.6%)	(0.0%)	(98.9%)	(97.5%)	(5.5%)	(0.0%)	(73.2%)	(89.2%)
	Opposed	17,267	7,071	1,416	1,340	2	261	85	407	40	382	0	2	78	275	0	41	20,256
		(11.5%)	(10.8%)	(9.3%)	(12.9%)	(0.9%)	(4.6%)	(9.8%)	(91.7%)	(11.3%)	(3.4%)	(0.0%)	(1.1%)	(2.5%)	(94.5%)	(0.0%)	(26.8%)	(10.8%)
Shareholder proposals	Total	852	453	16	16	0	124	0	0	0	271	129	0	2,663	0	0	57	4,112
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(0.0%)	(0.0%)	(100.0%)	(100.0%)
	Approved	34	32	1	1	0	19	0	0	0	61	23	0	230	0	0	2	370
		(4.0%)	(7.1%)	(6.3%)	(6.3%)	(0.0%)	(15.3%)	(0.0%)	(0.0%)	(0.0%)	(22.5%)	(17.8%)	(0.0%)	(8.6%)	(0.0%)	(0.0%)	(3.5%)	(9.0%)
	Opposed	818	421	15	15	0	105	0	0	0	210	106	0	2,433	0	0	55	3,742
		(96.0%)	(92.9%)	(93.8%)	(93.8%)	(0.0%)	(84.7%)	(0.0%)	(0.0%)	(0.0%)	(77.5%)	(82.2%)	(0.0%)	(91.4%)	(0.0%)	(0.0%)	(96.5%)	(91.0%)

Note: Figures in parentheses represent percentages for each proposal. The total percentage may not add up to 100 due to rounding.
Note: There were no cases of non-exercise. There were 7 abstentions.
Note: The resolutions of J-REIT general meetings of investors are included above.

2. Foreign Equities

(1) Exercise of voting rights by external asset managers: All external asset managers (64 funds) exercised their voting rights.

(In some cases, voting rights were not exercised in the targeted countries for institutional reasons, etc.)

(2) Exercise of voting rights by type of proposal

Proposals		Proposals pertaining to company organization			Proposals pertaining to Director remuneration, etc.				Proposals pertaining to capital policy(excluding items pertaining to changes to theArticles of Incorporation)			Proposals pertaining to changes to the Articles of Incorporation	Warning type Poison pill	Other Proposals		Total
		Appointment of Directors	Appointment of Statutory Auditors	Appointment of Accounting Auditors	Director Compensation	Director bonuses	Director retirement bonuses	Granting of stock options	Dividends	Acquisition of treasury stock	Mergers, transfer of business, company split, etc.			Approval of financial statements and statutory reports	Other Proposals	
Total number of voting rights exercised		142,005	5,865	14,090	29,034	212	140	5,209	9,012	5,617	7,577	6,724	175	12,323	55,595	293,578
Management proposals	Total	140,040	5,304	14,082	28,733	208	43	5,144	9,000	5,617	7,531	5,935	174	12,213	45,349	279,373
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	121,253	4,645	12,271	21,903	184	31	3,314	8,976	5,472	6,139	5,372	148	11,769	39,428	240,905
		(86.6%)	(87.6%)	(87.1%)	(76.2%)	(88.5%)	(72.1%)	(64.4%)	(99.7%)	(97.4%)	(81.5%)	(90.5%)	(85.1%)	(96.4%)	(86.9%)	(86.2%)
	Opposed	18,787	659	1,811	6,830	24	12	1,830	24	145	1,392	563	26	444	5,921	38,468
		(13.4%)	(12.4%)	(12.9%)	(23.8%)	(11.5%)	(27.9%)	(35.6%)	(0.3%)	(2.6%)	(18.5%)	(9.5%)	(14.9%)	(3.6%)	(13.1%)	(13.8%)
Shareholder proposals	Total	1,965	561	8	301	4	97	65	12	0	46	789	1	110	10,246	14,205
		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(0.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)
	Approved	1,168	469	0	58	0	0	13	10	0	45	317	0	66	3,755	5,901
		(59.4%)	(83.6%)	(0.0%)	(19.3%)	(0.0%)	(0.0%)	(20.0%)	(83.3%)	(0.0%)	(97.8%)	(40.2%)	(0.0%)	(60.0%)	(36.6%)	(41.5%)
	Opposed	797	92	8	243	4	97	52	2	0	1	472	1	44	6,491	8,304
		(40.6%)	(16.4%)	(100.0%)	(80.7%)	(100.0%)	(100.0%)	(80.0%)	(16.7%)	(0.0%)	(2.2%)	(59.8%)	(100.0%)	(40.0%)	(63.4%)	(58.5%)

Note: Figures in parentheses represent percentages for each proposal. The total percentage may not add up to 100 due to rounding.
The figures for “Opposed” include 2,942 abstentions.

3. Comparison of the number of exercises of voting rights by fiscal year (Period from April to June)

Note: Comparison of the number of opposition votes to management proposals, etc., and the number of approvals of shareholder proposals by fiscal year

		FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Domestic equity	Opposition to the management proposals or abstention from voting	22,074	18,044	16,191	12,911	14,266	13,408	12,491	15,061	22,250	22,821	17,022	16,429	18,199	20,256
		13.3%	11.6%	11.5%	9.5%	8.4%	7.9%	8.5%	10.3%	11.1%	12.3%	10.4%	10.1%	11.6%	10.8%
	Approval of shareholder proposals	34	58	34	56	55	65	167	129	215	319	154	262	417	370
		1.9%	2.7%	2.3%	2.9%	2.8%	4.7%	7.8%	8.8%	12.0%	12.2%	8.9%	10.0%	11.1%	9.0%
Foreign equity	Opposition to the management proposals or abstention from voting	6,087	5,422	7,161	7,269	10,778	11,162	13,076	17,061	17,510	17,734	28,385	36,042	36,476	38,468
		5.3%	4.9%	6.0%	6.7%	7.5%	7.7%	8.7%	10.3%	12.4%	13.1%	15.9%	17.2%	14.6%	13.8%
	Approval of shareholder proposals	1,486	1,655	1,503	1,483	2,650	2,630	3,295	2,849	2,504	2,008	2,772	3,526	4,221	5,901
		32.9%	35.2%	32.0%	40.3%	47.4%	43.0%	50.5%	53.3%	52.7%	43.8%	53.9%	52.2%	38.0%	41.5%

Reference: GPIF’s Principles

Principles and rules related to sustainability investment (including stewardship activities)

Investment Principles

4. We believe that sustainable growth of investee companies and the capital market as a whole is vital in enhancing long-term investment returns. In order to secure such returns for the benefit of insureds, therefore, we promote sustainability investment including those which take into account non-financial factors such as ESG and social or environmental effects (impact), in addition to financial factors.

5. In order to enhance long-term investment returns, we shall advance various initiatives (including those considering sustainability such as ESG) to promote long-termism as well as sustainable growth of investee companies and the capital market as a whole, and to fulfill our stewardship responsibilities.

- Sustainability Investment Policy
  - Practical Guidelines for ESG Index Selection
- Policy to Fulfill Stewardship Responsibilities
  - Stewardship Principles
    - Proxy Voting Principles

年金積立金管理運用独立行政法人
Government Pension Investment Fund

Investment Principles

March 26, 2015
Revised: October 2, 2017
Revised: April 1, 2020
Last revised: March 31, 2025

The Board of Governors of Government Pension Investment Fund (“GPIF”) has established the following “Investment Principles.”

GPIF executives and staff are dedicated to acting with the highest professional ethics and integrity in executing these principles, which represent our pledge to the public. We are committed to further enhancing our investment management framework, continuing to be fully accountable, and earning the trust of the public.

Investment Principles

【1】 Our overarching goal is to contribute to the stability of the national pension system by securing the investment returns that it requires with minimal risk and from a long-term perspective, to the sole benefit of insureds.

【2】 Our primary investment strategy is diversification by asset class, region, and timeframe. While market prices may fluctuate in the short term, GPIF will take full advantage of our long-term investment horizon to achieve investment returns in a more stable and efficient manner, while simultaneously ensuring sufficient liquidity to pay pension benefits.

【3】 We formulate our overall policy asset mix and manage risks at the portfolio, asset class, and investment manager level. We utilize both passive and active management in order to achieve benchmark returns (i.e., average market returns) and seek untapped profitable investment opportunities.

【4】 We believe that sustainable growth of investee companies and the capital market as a whole is vital in enhancing long-term investment returns. In order to secure such returns for the benefit of insureds, therefore, we promote sustainability investment including those which take into account non-financial factors such as ESG and social or environmental effects (impact), in addition to financial factors.

【5】 In order to enhance long-term investment returns, we shall advance various initiatives (including those considering sustainability such as ESG) to promote long-termism as well as sustainable growth of investee companies and the capital market as a whole, and to fulfill our stewardship responsibilities.

Stewardship Principles

Established on June 1, 2017
Revised on February 6, 2020
Revised on March 31, 2025

Government Pension Investment Fund (GPIF) requires its external asset managers ("asset managers") to comply with the following principles. If an asset manager decides not to comply with any of the principles due to the characteristics of the assets in which it invests and/or its investment style, it is required to explain the rationale for its non-compliance to GPIF.

In order to fulfill its own stewardship responsibilities, GPIF continuously monitors the stewardship activities of its asset managers, including their exercise of any voting rights, and proactively conducts dialogue (engagement) with them.

(1) Corporate Governance Structure of Asset Managers

○ Asset managers should adopt Japan's Stewardship Code.

○ Asset managers should have a strong corporate governance structure. In particular, asset managers should develop a supervisory system through such measures as appointing outside directors with a high degree of independence in order to enhance their independence and transparency.

○ Asset managers should commit sufficient internal resources to fulfill their stewardship responsibilities effectively.

○ Asset managers should explain how their remuneration and incentive systems for their executives and employees are aligned with the interests of GPIF.

(2) Management of Conflicts of Interest by Asset Managers

○ Asset managers should appropriately manage conflicts of interest (if the asset manager belongs to a corporate group, not only within asset manager but also within the group) in order to put the beneficiaries' interests first. Asset managers should classify types of conflicts of interest into those related to financial/capital relationships and those related to business relationships. Asset managers should also develop and publicly disclose a policy for the management of conflicts of interest.

○ Asset managers should manage conflicts of interest through measures such as establishing a third-party committee with a high degree of independence and disclosing information on such. When selecting committee members, asset managers should consider the candidates' independence, experience and skill sets, among other factors.

○ When exercising voting rights for companies with which they have a potential conflict of interest, such as their own company, their parent company or other group companies, asset managers should develop and disclose a process that removes arbitrariness and is in line with best practice in corporate governance and conflict of interest management, such as letting their third-party committee make voting decisions or examine the validity of their own decisions, or following the recommendations of a proxy voting advisor.

(3) Policy for Stewardship Activities, including Engagement

○ Asset managers should develop and publicly disclose a stewardship policy, which should include their approach to engagement.

○ Asset managers should ensure that their stewardship policy and activities contribute to long-term risk-adjusted returns rather than short-term outcomes. In addition, to support more effective stewardship activities, asset managers should consider formulating engagement objectives and plans.

○ Asset managers should integrate stewardship and investment.

○ Asset managers should proactively engage with index providers to promote the interests of beneficiaries. Such engagements should include participating in index providers' consultations regarding the constituent stocks of indices, as these have a material impact on GPIF's investment performance.

○ Asset managers should engage with various stakeholders including regulators, stock exchanges, investee companies and index vendors, so as to improve the sustainability of the markets in which they and GPIF invest.

○ Asset managers should take non-financial information into consideration when engaging with investee companies. Non-financial information should include (but not be limited to) the information contained within companies' corporate governance reports and integrated reporting.

○ If a company should decide not to comply with any of the principles established by relevant corporate governance codes of individual countries or equivalents but to explain their reasons for noncompliance, asset managers should engage with the company to understand their thought process and address the quality and detail of these explanations as necessary.

○ GPIF expects asset managers of passive equity investment mandates to develop and effectively implement a corporate engagement strategy to promote the sustainable growth of the market.

○ When using an engagement agency or third-party engagement service provider, asset managers should conduct proper due diligence prior to their selection and undertake continuous monitoring after selection.

(4) Sustainability Consideration including ESG Integration into the Investment Process

○ GPIF believes that it is vital to integrate ESG (environmental, social, governance) and other sustainability factors into the investment process to increase corporate value and promote the sustainable growth of investee companies and the capital market as a whole, thereby contributing to long-term investment returns. Asset managers should consider the materiality of ESG and other sustainability issues in relevant sectors and the circumstances of individual investees and deal with those factors accordingly.

○ Asset managers should determine which ESG and other sustainability issues they deem to be material, specify goals that they would like to achieve as a long-term investor, and proactively engage with investee companies on these issues.

○ Asset managers should become signatories of the Principles for Responsible Investment (PRI), and participate in other industry ESG and other sustainability initiatives.

GPIF

(5) Exercise of Voting Rights

○ Asset managers should exercise the voting rights relating to GPIF's investments exclusively in the best interests of GPIF and its beneficiaries.

○ In order to promote long-term corporate value at investee companies, asset managers should exercise voting rights in accordance with the GPIF Proxy Voting Principles as attached.

○ When using a proxy voting advisor, asset managers should conduct proper due diligence prior to their selection. After selection, asset managers should continuously monitor service quality and engage with the proxy voting advisor as necessary (excluding cases where the objective is managing conflicts of interest in relation voting on their own shares (see section 2 above)).

End of document.

Proxy Voting Principles

Established on June 1, 2017
Revised on February 6, 2020
Revised on March 31, 2025

[Exercise of voting rights]

○ In accordance with the GPIF's Stewardship Principles, GPIF's external asset managers ("asset managers") should exercise any and all voting rights in a manner consistent with their ongoing corporate engagements and other stewardship activities.

○ Asset managers should develop a proxy voting policy and guidelines that will contribute to the maximization of shareholders' long-term interests. Asset managers should publicly disclose their proxy voting policy and guidelines in order to make the basis for their voting decisions clear.

○ Asset managers should have sufficient communication with investee companies to inform their voting decisions and to ensure that all voting rights are exercised with thoughtful consideration.

○ Asset managers should give careful consideration to ESG (environmental, social, and governance) and other sustainability issues when exercising voting rights, with the objective of enhancing investee companies' corporate value over the medium- to long-term.

○ Asset managers should apply careful due diligence when exercising voting rights on proposals that could undermine minority shareholders' interests as well as those that could protect minority shareholders' interests.

○ Asset managers should generally exercise voting rights in support of the Corporate Governance Codes established by the individual countries in which their investee companies are domiciled. When there is no such code or equivalent, asset managers should appropriately exercise voting rights in support of the internationally recognized standards that they require investee companies to follow.

○ If asset managers use a proxy voting advisory service to exercise voting rights, they should not mechanically follow the advisor's recommendations (excluding cases in which the objective is to manage their own conflicts of interest). In all cases, it will remain the sole responsibility of asset managers to exercise voting rights in the best interests of GPIF and its beneficiaries.

[Actions following a shareholders' meeting]

○ Asset managers should publicly disclose their entire voting record on an individual company and individual agenda item basis.

○ Asset managers should disclose the rationale for their voting decisions based on necessity and/or importance as appropriate.

○ Asset managers should explain the rationale for their voting decision in detail to investee companies upon request.

○ Asset managers should periodically review their voting records and conduct self-assessments.

○ Based on their self-assessments, asset managers should update their policies for the following year as necessary.

GPIF